Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NIS3.50	S Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlnt4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

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White House contest: Hope dawns for Democrats, Page 22

World News

Nigerian strikes spread to Lagos

Nigerian President Ibrahim Babangida summoned security advisers to talks as waves of strikes against higher fuel prices spread to Lagos.

The military Government faced a showdown with trade unions over the price rises as Nigerian radio reported that security had been stepped up around the country's oil installations. Page 24

Nato agrees to improve N-weapons

Nato allies backed the development of improved nuclear weapon systems, but the alliance was "some time away" from any decisions on deploying them, US Defence Secretary Frank Carlucci said. Page 24

Chirac, Mitterrand clash

Mr Jacques Chirac, the French Prime Minister, accused President François Mitterrand on television of presiding over economic failures which had created "new poverty". Mr Mitterrand warned his opponent against pandering to the anti-immigrant party. Communist Party lines up for Mitterrand, Page 2

Brockway dies

Lord Fenner Brockway, the British Socialist campaigner who crusaded throughout his life against the atom bomb, capitalism and racialism, died last night in a hospital near London. He was 99.

UK ex-soldier can sue

A former British soldier who claimed he contracted cancer while serving on Christmas Island during British nuclear testing has been told by the House of Lords that he can sue the Government.

Noriega allowed appeal

A US judge ruled that Panama's military leader Manuel Antonio Noriega could challenge the drug-trafficking indictment against him without surrendering to US authorities. Noriega in crackdown, Page 8

Fahd warns Tehran

King Fahd of Saudi Arabia warned Iran not to push him too far and said he would not hesitate to use CSS-2 missiles, bought from China, to defend his country. Page 5

Sri Lanka poll violence

Leftwing gunmen shot dead a voter and wounded a policeman in Sri Lanka during local council elections shunned by more than half the eligible voters. Page 5

Argentine arrests

Two former ministers were arrested in Argentina and charged with illegal detention of and attempted extortion from a businessman during the term of the last military government. Page 8

EC telecoms row looms

The risk of a political and legal row between the European Commission and member states inched closer when Brussels confirmed it would proceed with plans to ban national monopolies in the EC telecommunications terminal market. Page 6

Appeal to US

South Korean opposition leader Kim Dae Jung called on the US to stop interfering in South Korean politics and to make clear its unambiguous support for progress towards democracy. Page 5

Peru guerrillas kill 2

Two policemen were killed and five others wounded when Maoist guerrillas attacked traffic police with dynamite and submachine-guns at a crowded suburban road junction in Lima.

Aid for Mozambique

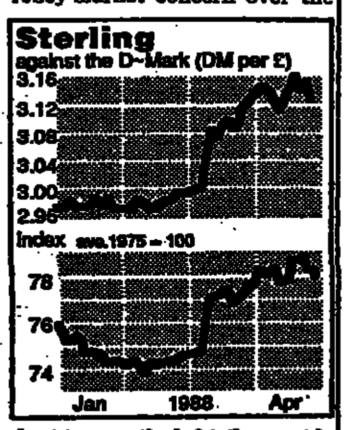
Donors headed by the US pledged about $270m of emergency aid to war-torn Mozambique at a conference in Maputo.

Business Summary

Ford makes record profits worldwide

FORD, second-largest US motor manufacturer, made record profits on its worldwide operations in the first quarter, despite a significant decline in the key US market. Total net income increased 9 per cent to $1.623bn, or $3.31 a share, compared with $1.492bn, or $2.87 a share. Page 24

STERLING fell in late European trading to close 1¼pfg lower at DM3.1275 as the prospect of poor UK trade statistics fuelled currency-market concern over the short-term outlook for the pound. Against other currencies, sterling closed at $1.8745 ($1.8770); Y233.50 (Y234.75); SFr2.5950 (SFr2.6050); FFr10.6250 (FFr10.67). In New York, sterling closed at $1.8725. Page 37



DOLLAR closed in New York at DM1.66975, Y124.55, SFr1.3850 and FFr5.6740. It closed in London at DM1.6685 (DM1.6750); Y124.60 (Y125.05); SFr1.3845 (SFr1.3875); FFr5.6675 (FFr5.6850). Page 37

LONDON: Takeover talk again dominated trading, with the electronics sector buzzing with rumours following UK electronics group Racal's move to float off its Vodafone cellular telephone subsidiary. However, the FT-SE 100 index ended 2.3 lower at 1,804.3. Page 44; Racal spin-off, Page 25

WALL STREET: The Dow Jones industrial average closed down 6.58 at 2,041.28. Page 48

TOKYO: Buying interest gained strength as Japan's Golden Week of holidays approached, lifting the Nikkei average to yet another all-time high of 27,434.12, a rise of 242.15. Page 48

MOET HENNESSY Louis Vuitton, leading French champagne, cognac and luxury goods group, reported a 26 per cent increase in net earnings to FFr1.34bn ($236m) last year. Page 25

BANK OF NEW YORK moved a step closer to victory in its hostile takeover bid for Irving Bank, with the announcement that it had provisionally won control of more than half of Irving's stock. Page 25

SWITZERLAND'S economic performance is set to slow over the next two years as domestic demand slackens and exports remain hampered by the appreciation of the franc, the Organisation for Economic Co-operation and Development forecasts in its latest economic survey. Page 3

LUCKY STORES, US West Coast supermarket chain which faces a determined takeover assault from American Stores of Salt Lake City, Utah, has made an attempt to remain independent by seeking to go private in a leveraged buy-out worth more than $2bn. Page 25

NORSK HYDRO, Norway's biggest quoted company, achieved a 79 per cent rise in first-quarter net income to NKr881m ($127m) from NKr453m. Page 27

MICHELIN, French tyre company, is to invest £13m ($24m) in its Northern Ireland factory, which will increase output by more than 15 per cent over the next three years. Page 10

HOFFMANN-La Roche, Swiss chemicals and pharmaceuticals group, reported a 15.9 per cent increase in earnings to SFr482m ($349m) for 1987. Page 26

MEXICO doubled its foreign currency reserves last year to $13.7bn, a Latin-American record, says central bank. Banco de Mexico's annual report. Page 8

Polish strikers defy threat of imprisonment

BY CHRISTOPHER BOBINSKI IN KRAKOW

STRIKING POLISH steelworkers in Krakow yesterday defied management threats that they could be prosecuted and continued to demand pay increases to compensate for sharp price rises in February.

Yesterday the local prosecutor's office reminded the strikers that their action – the first wave of serious labour unrest in Poland since the martial law crackdown in 1981 – was illegal.

They warned that the strikers could face up to three years in prison.

However, opposition leaders said the three-day-old strike was spreading. Mr Stanislaw Handzlik, a steelworker Solidarity leader in 1981 now inside the plant, said the strike had spread and now involved about half the Lenin steelworks' 32,000 employees.

Plans were also going ahead for a strike today at a big heavy-machinery plant at Stalowa Wola in south-east Poland, although police had detained a woman organiser of the strike, according to an opposition unionist leader.

Mr Andrzej Szewczuwaniec, the leader of the steelworks strike committee which is made up of Solidarity supporters, told reporters after the prosecutor's warning "we are going fully ahead and I would be ashamed if we accepted what was offered to us." The workers had earlier rejcted a 50 per cent wage increase.

Strikers at the steelworks also refused to fill in questionnaires designed to ascertain if they were participating in the stoppage. Yesterday management repeated that the plant could not afford increases higher than those already offered.

The steelworkers have asked for compensation payments for workers and pensioners throughout the country to cover last February's price rises. They also want an automatic system of increases linked to the inflation rate.

The party politburo, responding to the labour unrest, published a statement yesterday in the press and instructed the Government to take "radical" steps to keep wages from overtaking prices this year.

The politburo added that more loss-making companies would be closed down.

The strong reiteration of reform policies, which hinge on attemping to achieve a balance between supply and demand, came as Mr Zdzislaw Sadowski, the Deputy Premier who is in charge of implementing the reforms, called off a trip to Washington.

The cancellation of the visit, which would have included meetings next week with IMF officials, shows how seriously the Government is treating the steel strike in Krakow.

The strikers expect the authorities to attempt to bring the stoppage to an end by Sunday which is the May Day holiday.

During the talks in the early hours of yesterday morning Mr Eugeniusz Pustowka, the manager of the plant was reported as saying that riot police would be brought in if the strikers did not accept the pay offer and end the stoppage.

Although the threats failed to materialise, the plant management yesterday refused to comment on whether guarantees of immunity from prosecution offered in talks on Wednesday still stood.

Management suggested that an attempt to end the strike by force was still being considered.

Reagan seeks support in Congress for compromise on trade

BY NANCY DUNNE AND PETER MONTAGNON IN WASHINGTON

PRESIDENT Ronald Reagan will veto the controversial US Trade Bill but intends to work with Congress to produce a new and acceptable version, Mr Marlin Fitzwater, the White House spokesman, said yesterday.

His statement came after the Senate passed the bill on Wednesday a week after it had been approved by the House of Representatives.

The bill seeks to promote exports by threatening retaliation against countries that refuse to open their markets to US goods and will give Mr Reagan authority to negotiate in the current Uruguay round of trade liberalisation talks under the aegis of the General Agreement on Tariffs and Trade

Mr Reagan's objections centre on a controversial provision demanding that large companies give at least 60 days' notice of plant closures.

With expectations growing in Washington that a presidential veto would be sustained, Mr Fitzwater said the White House believed it should be possible to get a new trade bill without the plant closure measure.

The Senate vote in favour of the bill, 63-36, was four short of the two-thirds majority required to override a presidential veto.

Mr Fitzwater said Mr Reagan would veto the bill soon after it reached his desk next week.

In addition to the plant closure provision, he would express concern about several other aspects of the bill.

"We would require plant closings to be taken out. The rest of the specific decisions we would want to discuss with the (Congressional) leadership," he said.

Mr Reagan has been warned by Democratic leaders that the introduction of additional concerns could make a new bill impossible.

Furthermore, the Democrats have discovered in the plant closing measure a popular issue for the presidential election campaign, after protests by workers.

Television broadcasts have dramatised the plight of laid-off workers alongside the high salaries being paid to executives of blue chip corporations. Unions have expressed strong opposition to a Trade Bill which does not include the plant closing provision.

Complicating the Administration's task are Senate rules allowing individual senators to introduce fresh amendments to any new Bill that comes up for discussion after the President's initial veto was sustained.

While the House of Representatives could vote without amendment on a new Bill, senators would have plenty of opportunity to reintroduce what would be seen in the White House as objectionable, protectionist language.

Senator Lloyd Bentsen, an active supporter of the Bill, warned yesterday that this likelihood would be all the greater if Mr Reagan cited a long list of objections in his veto message.

Mr Reagan has 10 days to announce his veto after the Bill reaches his desk, but Congress could wait until the end of the year before voting on an override.

EC vows to defend itself; Japan pins hopes on veto, Page 6

Paul Volcker in London: hopes to offer 'sensible advice'

Volcker to become ICI board member

BY PETER MARSH IN LONDON

MR PAUL VOLCKER, former chairman of the US Federal Reserve and one of the world's most distinguished bankers, is to become a non-executive director of Britain's Imperial Chemical Industries, the company announced yesterday.

Mr Volcker said he hoped he would be able to offer ICI "good, sensible advice" on financial problems and general international issues. He had been attracted to ICI because of its size and strong US presence.

Mr Volcker, 60, who left the New York-based Federal Reserve last year after eight years as chairman, hoped the appointment would improve his scanty knowledge of chemicals manufacturing.

He will join the ICI board in June, about the same time as he formally takes up an appointment as non-executive director of Nestlé, the Swiss food company which is involved in a contested takeover bid for Rowntree, the UK chocolates manufacturer.

Since leaving the Fed, Mr Volcker has become chairman of James D. Wolfensohn, a New York investment bank, a job which he regards as practically full-time, and professor of international economic policy at Princeton University. He is also chairman of the US Commission on the Public Service.

On Monday Mr Volcker becomes a non-executive director of Municipal Bond Insurance Association, a small US insurance company.

He said that he did not rule out taking on other non-executive directorships but these would probably involve US-based companies to ensure he did not spend too much time travelling.

Mr Denys Henderson, ICI's chairman, said the appointment was "of considerable significance to ICI's international business."

ICI said it would expect Mr Volcker to attend its yearly round of eight board meetings and be available for consultation. The company declined to say how much he would be paid.

ICI also announced yesterday pre-tax profits of £358m ($670m) for the first-quarter, a 7 per cent rise on the same period last year on sales of £2.94bn, up 6 per cent.

Analysts said the strong pound had led to the profits being several tens of millions of pounds lower than they would have been with exchange rates of a year or so ago.

Lex, Page 24; ICI results, Page 31

Khrushchev's failure as seen by Gorbachev's supporters

By Quentin Peel in Moscow

A STARK new Soviet analysis of the reasons for the failure of political and economic reforms under the regime of Mr Nikita Khrushchev 30 years ago has been published in Moscow. It blames the former leader for lacking the courage to bring genuine democracy into the ruling Communist Party structure.

The two-page analysis in Moscow News, a leading proponent of Mr Mikhail Gorbachev's current drive for greater political openness, comes against the background of a growing ideological struggle between the most radical reformers, who argue for far-reaching democratisation of the ruling party and bureaucracy, and the conservatives, who accept the need for economic reform, without excessive political upheaval.

The latest contribution to the fundamental reassessment of history in the Soviet Union is an obvious new effort to influence this debate in the party in advance of what is now seen as a critical party conference at the end of June.

The authors, academics Mr Yuri Levada and Mr Viktor Sheynis, argue that the failure of the Khrushchev reforms, compared by many to those of Mr Gorbachev, was precisely because of the former leader's failure to mobilise popular support and devolve power from the central bureaucracy.

Entitled Why It Did Not Work Then, the article argues that Khrushchev was not ready to change "the rules of the game" as laid down by years of the "powerful madness" of his predecessor, Joseph Stalin. He had failed to mobilise the powerful, but unstable, popular support for any attempt to abandon the trappings of dictatorship, the authors say.

"The monopoly on initiative, and on the absolute truth, which the leadership tried to keep in its own hands, prevented the rebirth of a public conscience and self-help," they say. "After each step forward, the mechanism of inhibition was turned on. What was killing for the reforms was the way they were carried out."

It refers to the period as "our first perestroika," using Mr Gorbachev's own word for economic restructuring, but then pins on Mr Khrushchev the ultimate failure that "not one of his initiatives was actually brought to fruition."

However, the authors conclude that the one success of the Khrushchev period was ensuring that the return of Stalinism was impossible – and sowing the seeds of reform which "after 20

Chips industry may face sharp downturn in growth

BY LOUISE KEHOE IN SAN FRANCISCO

THE WORLD semiconductor industry is heading for a sharp slowdown in growth next year, according to a forecast published yesterday by the US Semiconductor Industry Association.

It predicts that sales this year will be 30.1 per cent up on 1987 in dollar terms at $42.3bn against $32bn. However, 1989 will see a rise of only 3.9 per cent as sales of personal computers slow.

Semiconductor chips are the microminiature electronic circuits used to build computers and all types of electronic equipment. The growth of the semiconductor industry is widely seen as an indicator of the health of the entire electronics industry.

The sector has been increasing its capacity, with supplies of chips likely to increase as the sales growth tails off.

The association's forecast could have a significant impact on high-technology stock prices. Other forecasters and stock analysts have predicted slower growth in 1989, but few are believed to be expecting such a severe slowdown.

The highly cyclical semiconductor industry has swung wildly from "boom" to "bust" over the past decade. Growth rates of 10 to 15 per cent are considered healthy for the industry, while growth of less than 6 per cent is seen as an industry slump.

The industry is currently enjoying a major boom, with prices rising and a big shortage of critical memory chips. The SIA forecast, based on a survey of semiconductor manufacturers in the US, Japan and Europe conducted by World Semiconductor Trade Statistics, an offshoot of the trade group, suggests different market conditions in 12 months, with supply exceeding demand.

In the US, where sales last year totalled $10.2bn, the SIA predicts 26 per cent growth this year followed by just 1.4 per cent in 1989.

Chip sales in Japan will soar from last year's $12.7bn to $17bn this year, a 33 per cent increase, the SIA predicts, with growth of 5.4 per cent next year.

In Europe, growth of 26.8 per cent this year will bring 1988 sales to about $7.4bn, with a 2.7 per cent growth rate expected in 1989.

In contrast to SIA's forecast, Dataquest, one of the largest high-technology research firms, is predicting a more moderate 24 per cent growth this year, followed by 9 per cent growth in 1989.

UK investor safeguards in force

BY CLIVE WOLMAN IN LONDON

THE BULK of Britain's new investor protection regulations, in particular those provisions making it a criminal offence to carry on an investment business without authorisation, come into force today, although applications for authorisation by more than 7,000 firms are still pending.

The introduction of the new system, which represents the most comprehensive and ambitious reform of financial services regulation ever attempted either in the UK or elsewhere, has led to a last-minute rush by City of London firms and the five self-regulating organisations (SROs) to meet the deadlines.

However, despite the seven years of preparation, it became clear last night that the SROs had failed to authorise in time nearly half the investment firms that had applied.

For example, the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), which covers small financial advisers, had authorised only 6,050 firms by yesterday, leaving 4,632 firms in the category of interim authorisation.

The Securities Association (TSA), which takes over regulatory responsibility from the Stock Exchange today as the largest of the SROs, has authorised only 484 out of 947 applicants, although last month it said it expected to authorise nearly all

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CONTENTS

Member states refuse EC request for more staff

BY DAVID BUCHAN IN BRUSSELS

EC GOVERNMENTS yesterday cut back on the Commission's request for extra "Eurocrats" to run the Community's stepped up internal market and economic aid programmes, at a time when they are paring their own national bureaucracies.

Faced with a Commission request to hire some 435 new staff this year EC budget ministers approved an increase of only 150, of which only one-fifth would be permanent.

But the last word on this may rest with the European Parliament, which has a major say on so-called non-obligatory spending, including EC personnel and pay.

A parliamentary delegation yesterday appeared before the gathering of EC budget ministers here to argue the case for an increase of some 217 Eurocrats, a compromise that is likely to prevail when the 1988 EC budget is wrapped up next month in Strasbourg.

If it were logical for national governments to cut bureaucracies in line with the lower proportion of national GNP spent in the public sector, it was equally logical for them to match approval of high EC funding as a share of Community GNP with a rise in commission staff, Mr Peter Price, a member of the Euopean parliament budget committee, argued here yesterday.

The Commission presently has some 11,000 staff, one third of them taken up with translating and interpreting between the nine official languages, and costing Ecu475m (£337m).

EC leaders at the Brussels summit in February approved a real 20 per cent increase in the funding of EC programmes over the next five years.

The 1988 budget has been much delayed by the arguments over spending reform eventually resolved at the Brussels summit. Indeed, the European Court of Justice yesterday got around to hearing the case brought by the Commission and the Parliament against the Council of Ministers for failing to come up with a 1988 budget plan as long ago as last October. But this case now looks moot, with this year's budget expected to be finalised in May.

In fact the normal sparring between the Council and Parliament on budgetary matters has this year been largely subsumed in the desire of both institutions to put the Brussels summit reforms into rapid effect.

The only major cloud remains on the revenue, not the spending, side. This concerns the still unresolved complaint by Italy that it would suffer under a new GNP-basis, revenue-raising formula agreed by the Brussels summiteers.

● PORTUGAL has received a shot in the arm from the European Investment Bank in the form of an Ecu250m package of long-term loans, writes Diana Smith in Lisbon.

The credits consist of Ecu200m for the state electricity board's Sines power station and its Alto Lindoso dam, plus Ecu35m for improvements to the heavily travelled Oporto rail network.

RELUCTANT DECISION REACHED AFTER BITTER PARTY WRANGLE

Communists line up for Mitterrand

BY IAN DAVIDSON IN PARIS

THE FRENCH Communist Party has called on its supporters to vote for President François Mitterrand in the second round of the presidential election, but made clear that it was doing so without enthusiasm.

The Communist decision follows the call by Mr Raymond Barre for his supporters to swing behind Mr Jacques Chirac, the neo-Gaullist standard-bearer of the right, in the second round of voting.

Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front, is now the only one of the main candidates in the first round who has yet to instruct his followers how to vote in the second round run-off. Mr Le Pen has said that he would not declare his position until his National Front rally next Sunday.

The Communist party may have slightly more influence on its voters than Mr Le Pen has on his. Traditionally, Communist voters used to march obediently in step with the party leadership; whereas the polls have consistently suggested that Mr Le Pen's 14-plus per cent are unpredictable: one survey has suggested nearly a third of them will vote for Mr Mitterrand.

But the Communist party decision to support Mr Mitterrand, though ostensibly the subject of a unanimous vote in the central committee, was manifestly only reached after a violent and bitter grass-roots debate over the reasons for the unprecedentedly poor performance of Mr Andre Lajoinie, who scored only 6.76 per cent.

Meanwhile, both sides in the contest are stepping up their efforts to make political capital out of the continuing disorder in the French Pacific territory of New Caledonia. In New Caledonia itself Melanesian militants continued to hold 22 French hostages, but negotiations between the militants and the French authorities appeared to have reduced immediate fears for the lives of the hostages.

Mr Bernard Pons, Minister for the Overseas Departments and Territories, yesterday called for the dissolution of the main Melanesian separatist party, the Front de Libération Nationale Kanake Socialiste (FLNKS), widely

FRENCH ELECTIONS

blamed by the right for complicity in the recent outbreak of violence.

The dissolution of a political party would require a cabinet decision, and in particular would require the agreement of Mr Mitterrand. Since he has openly dissented from the government in its handling of the New Caledonia issue, and has expressed open sympathy for the claims of the Melanesian population, it is unlikely that he would give his agreement.

Mr Patrick Devedjian, a leading Gaullist, has publicly insinuated that President Mitterrand's staff actively connived in the eruption of violence in New Caledonia last Friday, two days before the first round of voting. In a radio interview Mr Devedjian said: "The events broke out as if by chance . . . after the FLNKS was received at the Elysee by Mr Bianco [Secretary General at the Presidential Palace], and it announced the violence to which it had manifestly been encouraged". Mr Jean-Louis Bianco immediately lodged a suit for defamation.

● The French Foreign Ministry yesterday told the New Zealand ambassador, Ms Judith Trotter, of its "astonishment" at statements by Mr David Lange, her country's prime minister, which were seen as blaming Paris for the New Caledonia violence.

But at a news conference in Brussels, Mr Lange trod cautiously on the question. "The situation is of concern to New Zealand and most Pacific countries and we in no way condone criminal violence or those who have committed it in the last few days," he said.

Tax feud tests Bonn coalition's social policy

BY DAVID MARSH IN BONN

THE West German coalition Government today faces a major political test as a result of a north-south wrangle among the federal states over the financing of DM20bn ($12bn) in annual social security payments.

A grouping of financially-strained northern states run by both the governing Christian Democrats (CDU) and the Opposition Social Democratic Party (SPD) plans to introduce a bill in parliament today to force the central Government to assume responsibility for half this social security spending.

The initiative is being put forward by Mr Ernst Albrecht, the Christian Democrat Prime Minister of Lower Saxony, in the Bundesrat [federal council], the Land [state] controlled Upper House of Parliament which has a veto over tax legislation.

Lower Saxony is in the north of the country and the plan is opposed by the more prosperous southern states. They say it would add to the funds they already remit to the north under the country's redistributive tax system.

Lower Saxony has dropped hints that, unless the Government accepts the new social security scheme, it could vote against the coalition's package of 1990 tax cuts as it goes through the upper house during the next year.

The implicit threat to throw a serious obstacle in the way of the tax package yesterday provoked the ire of the Bavarian state Government, run by the Christian Social Union, a coalition partner of the CDU.

Mr Gerold Tandler, the CSU secretary-general, said the Bonn coalition would be "called into question" if Lower Saxony tried to scupper the tax bill, a central pillar of the Government's economic strategy.

The northern states, mostly in the hands of the SPD and with higher unemployment rates than in the south, believe they are facing unfair financial costs as a result of sharply rising social payments.

These are the responsibility of the states rather than central Government

The plan put forward by Mr Albrecht, warmly supported by North Rhine Westphalia, the Saar, Hamburg and Bremen – all controlled by the SPD – foresees that DM10bn of financing would be assumed by the central Government.

The burden faced by Bonn would be partly offset by the Länder foregoing some of their normal share of value added tax receipts.

North Rhine Westphalia would gain a net DM1.7bn a year under the system, with Lower Saxony benefitting by DM716m. However, the gains for the southern states would be far less and would be overshadowed by financing burdens caused by a bigger overall central government budget deficit.

Familiar European scene emerges as October crash dust settles

THE WORLD stock markets' tumble of last October has had much less effect on the economies of western Europe than economists dared to hope at the beginning of the year. Indeed, with the dust apparently settled, the European economic landscape looks remarkably similar to its old pre-fall self – with steady but uninspiring growth in the continent's traditional powerhouse, West Germany, and the old structural imbalances, such as the German trade surplus, firmly intact.

The outlook has brightened in France and West Germany, but the expectation is still for growth rates of closer to 2 per cent than 3 per cent. Britain still has the fastest-growing of the continent's leading economies but faces problems in the shape of a worsening external balance and a potentially inflationary credit boom.

Only in Britain is unemployment showing a clear downward trend, from a high base. The number of French people out of work could rise steeply by the end of the year, and a small upward movement is foreseen in West Germany.

Any hope that the Bonn Government might take on more of a locomotive role has been dashed by its ballooning public sector deficit, which is now comparable as a percentage of GDP with its American counterpart.

The public sector deficit in Italy is vastly in excess of that of any of its competitors, and forthcoming government attempts to tackle it by raising taxes (and gathering them) will be painful and politically costly. They are also inevitable, given that, in a financially deregulated Europe, Italian investors will have better places to put their money than the Treasury bonds of a profligate state.

Spain, western Europe's fifth largest economy, is galloping by European standards, and its external position has so far (though perhaps not for much longer) been healthy enough to sustain this. However, more than one fifth of the Spanish work-force is out of work.

Bonn predicts 2% growth as economy stays on even keel

BY DAVID MARSH IN BONN

THE WEST German economy has remained on an even keel in the six months following the October stock market crash. The Government is now forecasting with mounting confidence 2 per cent economic growth for this year, against 1.7 per cent for 1987.

The figure hardly points to great economic dynamism, but is still a lot better than the 1988 growth rates of between 1 and 1.5 per cent forecast by many research institutes at the beginning of the year.

The steady dollar, firmer domestic and foreign order levels, and the mild winter weather all helped produce gross national product growth in the first quarter estimated to have been around 3 per cent at an annual rate.

The economy has been helped by continued buoyant domestic demand and low nominal interest rates. Exports have also been holding up much better than expected – partly as a result of the benefit to West German exporters of the exchange rate stability within the European Monetary System.

Exports rose 3 per cent in real terms last year (exports to the EC were up 6 per cent) and, according to the Hamburg Economic Research Institute, may again rise a real 3 per cent this year.

Underlining the overall industrial improvement, orders received by West German manufacturing industry in January and February were up 5.8 per cent in real terms compared with the same two months last year, with domestic orders up 4.7 per cent and exports up 7.4 per cent.

Inflation is creeping up slowly after only a 0.2 per cent increase in consumer prices last year and a 0.2 per cent fall in 1986.

Provisional figures yesterday put the price rise in April at 1.1 per cent, the first time since January 1986 that the 1 per cent level has been exceeded. The Government's official projection of 1 per cent inflation this year may be slightly overshot.

The Government's chief headache remains the growing budget deficit, likely to total DM 70 bn this year for the federal, regional and local governments, or about 3.5 per cent of GNP.

Unemployment has been on a gentle downward trend in the past few months as a result of mild weather. It stood at 2.44m or 9.6 per cent of the workforce in February.

The average for the year is forecast by the Government to grow slightly to 2.3m in 1988.

Concern in Sweden at overheating

By Robert Taylor in Stockholm

THE EFFECT on the Swedish economy of last October's equity markets crash has been less serious than first forecast.

Sweden's Finance Ministry is somewhat uneasy about the danger of overheating, as a result of an expansion in consumer credit and higher than expected wage increases.

Indeed the Stockholm bourse in the first three months of this year has been the most expensive in Western Europe. Yesterday's decision by the Sverige's Riksbank to increase the discount rate from 7.5 to 8.5 per cent is a further indication that monetary policy is to be tightened to curb the rise in consumer demand.

At the time of the January budget it had been hoped to keep the rise in the annual level of earnings down to about 4 per cent but this figure is now likely to average 6 per cent. Prices are now also expected to rise by 6 per cent, compared with the hoped-for 4 per cent in January. At the same time annual growth rate for 1988 looks like being better than first forecast: 2.2 per cent compared with 1.9 per cent.

Estimates for unemployment remain extremely low at 1.7 per cent of the labour force, slightly less than the figure expected at the time of the January budget, even though the number of people entering the labour market is going to be far greater than in the last two years.

In January the Finance Ministry estimated that Sweden's budget deficit for the present financial year would be SKr11.9bn (£1bn), or 1.1 per cent of gross domestic product, but this has now been revised to SKr6.7bn.

The balance of payments deficit is also predicted to be less than calculated earlier in the year (SKr10.8bn compared with SKr12.2bn). But this outcome will depend on the Government's success in tightening consumer demand and thereby helping to reduce the volume of imports.

LATEST IMF FORECASTS

	UK	W. Germany	France	Italy
Consumer price inflation %				
1987	4.2	0.2	3.1	4.7
1988	4.2	1.1	2.4	4.8
Central government fiscal balance as % of GNP				
1987	-1.5	-1.4	-2.3	-11.7
1988	-1.2	-2.0	-2.0	-11.2
Unemployment as %				
1987	10.4	7.9	10.6	11.7
1988	9.1	8.1	11.3	11.8
Balance of payments on current account in current $				
1987	-2.8	44.2	-4.4	-
1988	-7.3	41.4	-2.9	-1.0
Real GNP growth as %				
1987	4.5	1.7	2.1	2.8
1988	3.0	1.7	1.6	2.5

Few share Madrid's fears over pace of inflation

BY PETER BRUCE IN MADRID

FEW PEOPLE, least of all Spanish trade unionists, ever believed the Government's inflation target of 3 per cent for this year. Madrid is trying to use the target as a base for negotiating public sector pay settlements, but the main cause of scepticism lies simply in the pace at which the economy is growing.

When Mr Carlos Solchaga, the Finance Minister, said last week he was so worried about first quarter price rises that he would have to cut fuel prices, many commentators found it hard to worry with him. "Four per cent inflation this year would be splendid," said an economist at Banco de Santander.

Gross domestic product grew about 5 per cent last year and while forecasters started 1988 in a much more conservative mood – a result of the stock market crash and fears that last year's high interest rates would plague investment – this caution being rapidly abandoned.

The Government has raised its growth forecast from 3.8 per cent to 4 per cent and private researchers think it will go even higher. Foreign investment in January was five times higher than a year earlier.

The growth in Spain's trade deficit confirms the buoyancy of the economy. Last year's trade deficit of some $11bn was double that of 1986. The country still ended the year with a $1bn current account surplus (down from $5bn) but the flood of imports has grown so strong that even Spain's traditionally heavy invisibles and services surpluses may not keep the current account out of the red. The March current account deficit of $700m tends to strengthen government forecasts that the account will go into deficit for the year.

The Government's other main problem remains the control of its own deficit, which the OECD forecasts will stay at 4-5 per cent of GDP. This becomes progressively more important as Spain's relatively high rates of taxation are shown to be inhibiting investment and as the number of jobless continues to hover at around 3m or 21 per cent cent.

There is little chance of this falling much this year although the Government claims 1,000 jobs are being created every day.

Britain again sets pace

By Ralph Atkins

THE UK's economic growth rate outranked that of most European rivals last year and is likely to set the pace again in 1988. But a rapidly worsening trade deficit suggests it will be a perspiring performance.

A growth rate of at least 3 per cent in 1988 is forecast by both the Treasury and independent economists. That compares with an exceptional rate of just under 4.5 per cent last year.

Growth will be led mainly by a buoyant consumer sector. In the last quarter of 1987 consumer spending was growing at an annual rate of more than 6 per cent and figures for the first three months of this year show little sign of a slowdown.

The counterpart last year was a relatively unexciting investment growth performance – although a pick-up is expected this year. At the same time export growth, although faster than gross domestic product, was outpaced by import increases.

For 1988, further steady increases in exports seems likely, but again falling far short of imports of goods and services.

It is largely this weakness which has led to fears among some independent economists that growth is becoming unbalanced. The expected result is a sharp increase in the trade deficit.

The Treasury has forecast a current account deficit of £4bn this year yet figures for January and February alone show a combined deficit of £1.6bn – almost as high as for the whole of 1987. Financial markets are awaiting nervously figures for March which will be published today.

The recent appreciation of sterling, which may not be reversed for at least a few months, is likely to exacerbate the trade problem. Exports are losing competitiveness while imports become less expensive.

However, the pound's rise will help ease inflationary pressures as import prices moderate. Retail prices are expected to rise by perhaps 3.5 or 4 per cent this year.

Despite the relatively strong growth rate forecast for the whole economy, falls in unemployment this year are forecast to be modest. The rapid falls experienced last year are unlikely to be repeated and many independent economist are predicting the number out of work will remain near the present level of about 2.5m.

E German visits to West increase

MR ERICH HONECKER, the East German leader, yesterday gave a top Bonn politician figures that show an apparent increase in the number of non-pensioners allowed to visit West Germany and West Berlin, Reuter reports from East Berlin.

Mr Honecker's figures show East Germans made 986,383 trips to West Germany and West Berlin in the first three months of this year. Of these journeys, 376,563 – nearly 37 per cent – were by people under retirement age.

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Prospects look up for France

BY GEORGE GRAHAM IN PARIS

FRENCH PRIVATE sector economic forecasters have adopted a slightly more optimistic outlook over the past few months. Their worst forebodings on the fate of the US economy have not been fulfilled, the recovery of many stock exchanges has reduced the possible "wealth effect" on consumption in the wake of last October's crash, and overseas demand has weakened less than they had expected.

Caution still underpins most forecasts, however. The Observatoire Française des Conjonctures Economiques (OFCE), while forecasting 1.8 per cent growth in gross domestic product this year, warns that, in 1989, France will have to "pay its tribute to the stock market crisis of last October."

Ipecode, another private sector forecaster, is more optimistic. Its projection for 1988 shows growth of 1.6 per cent, but it sees a slight upturn to 1.9 per cent in 1989 with much more sustained growth averaging 3.6 per cent from 1990 to 1992.

In the short term, however, the incoming Government, after the second round of the presidential election on May 8, will have relatively little freedom of manoeuvre.

Unemployment, which fell to 10.3 per cent in March, is expected to rise again in the second half of the year, as the effect of special job-creation schemes wears off.

The visible trade balance, showing an unexpectedly large deficit of FFr5.9bn (£552m) in the first two months of the year, represents a big constraint on any Government, whatever its political colour. Besides the worryingly large deficit in manufactured goods last year, France's traditional surplus in services diminished sharply, thanks largely to a downturn in receipts from tourism and from space and oil co-operation income.

Analysts believe that the incoming Government will be obliged to continue a policy of budgetary rigour, probably with even greater stringency than at present, in order to fill the deficit in the social security budget. Although national pay policy has moved away from the hands of the Government, the new administration is not expected to increase civil service employment or pay settlements.

A future Government may also attempt to control the rapid expansion of consumer credit, thus leading to further pressure on domestic consumption in the second half of this year.

Strong foreign and domestic demand lifts Italian sights higher

BY JOHN WYLES IN ROME

ITALIAN FORECASTERS are taking a breezier view of the outlook for the national economy than they were five or six months ago. Growth forecasts are being raised slightly because both domestic and overseas demands are running more strongly than expected immediately after the October crash in the stock markets.

Domestic demand, however, will almost certainly be curbed somewhat by higher indirect taxes which the Government is expected to introduce within a few weeks as part of an attempt to reduce the projected budget deficit.

The Treasury's current forecast for the deficit is L122,000bn (£52bn) or around 11 per cent of gross domestic product and the target will be to reduce this by at least L7,000bn.

Industrial production has begun the year at very high levels, rising by 7.3 per cent in January and 8 per cent in February. Capacity utilisation in some sectors is running at around 80 per cent and raising some fears of stronger inflationary pressures. However, most forecasters expect the annual rate of consumer price rises to be only slightly higher than last year's 4.6 per cent.

Real incomes, however, are expected to keep running ahead of inflation. Having risen by a nominal 7.4 per cent last year in the manufacturing sector, they are judged likely to go up by around 6 per cent in 1988.

Opinions are more divided about the current account because of differing assumptions about income from tourism and about transfers to and from abroad.

Unemployment, together with the public deficit, appears to be a growing problem for the economy this year. It is regionally concentrated in the centre and the south and rising for both demographic and social reasons. In the age group up to 25, unemployment rates of 20 per cent or more are common in many parts of the south while the number of women seeking employment is consistently rising.

OECD forecasts slower economic growth rate for Switzerland

BY WILLIAM DULLFORCE IN GENEVA

SWITZERLAND's recent excellent economic performance, with average annual gross domestic product growth of 2.7 per cent in 1984-87, will slow over the next two years as domestic demand slackens and exports remain hampered by the appreciation of the franc, the Organisation for Economic Co-operation and Development forecasts in its latest economic survey.

However, the predicted deceleration to 1.5 per cent GDP growth this year and 1.75 per cent next is relatively modest and its consequences are less than alarming.

The unemployment rate, now less than 1 per cent or the lowest among the OECD countries, may rise somewhat. Consumer price inflation, also among the lowest in the OECD area, could return to its underlying rate of 2 to 2.5 per cent, the OECD finds.

With imports continuing to grow faster than exports, the current account surplus could decline from a high 5 per cent of GDP in 1986 to 2 per cent by 1989. This can be read as Switzerland's small contribution to reducing present global payments imbalances.

Moreover, the OECD finds, Swiss policy-makers have scope for relaxing their current prudent monetary and fiscal approaches, either in order to reduce strong upward pressure on the exchange rate or to counter too much weakening in domestic activity. The federal and combined cantonal budgets have recorded surpluses for two years running.

In contrast to the sterner counsels proposed in its reports on several other countries, the OECD secretariat's recommendations on Switzerland are more technical. Abolition of the turnover tax on investment goods and of stamp duty on financial transactions in securities is already under discussion in Switzerland.

The current account surplus is likely to shrink in the face of strong import growth, says the report

So is the introduction of an energy tax, to promote conservation and pollution control. The OECD suggests a more logical solution would be to replace the turnover tax by a generalised value added tax, already adopted by Switzerland's main trading partners, but VAT has twice been rejected in national referendums.

Given that the depreciation of the dollar is seen as the principal inhibiting factor on the economy, in particular on export growth, the exchange rate assumptions in the OECD's short-term forecast are of special interest. They imply a 8.8 per cent appreciation of the franc against the dollar and a 2.5 per cent increase in the effective exchange rate between 1987 and 1988.

However, the OECD points to factors countering the effect of the dollar depreciation. The cost of imported inputs is lower. The decline in Swiss cost competitiveness is also mitigated by the lower domestic cost of capital, illustrated in real long-term interest rates.

When these rates are multiplied by investment, calculated costs of capital turn out to be lower in Switzerland than in any of the main seven OECD countries. During the 1980s this figure has been only 0.5 per cent of GDP in Switzerland compared with 0.75 per cent in West Germany, 1.25 per cent in the US and 1.5 per cent in Japan, even though as a proportion of GDP Swiss business investment has been the second highest after Japan's.

Buoyant business investment, coupled with relatively modest real wage increases, has stimulated productivity growth. The OECD concludes that this capital deepening and introduction of new technologies will help to maintain Swiss industrial growth in the face of the projected slowdown in global activity.

The survey includes a study of the Swiss public sector, one of the smallest in relative size within the OECD, and of the social security system. Discipline in government spending is more or less imposed by the country's political system, which allows citizens a direct influence on policy decisions, not least on taxation.

Decentralising public activities brings substantial welfare gains, since the supply of public goods and services can be better tailored to the specific conditions of the regions, the OECD argues. But it finds drawbacks, notably in the large variation in taxation levels among the cantons and in the influence of cantonal governments which leads to "a complex process of reconciliation" in fiscal policy.

An increase in tax rates or social security contributions is inevitable in the longer term to keep the national insurance scheme balanced, the OECD says. It also sees problems for the efficient allocation of savings in the increase in pension fund assets as a portion of GDP.

Angling storm stirs Irish waters

By Kieran Cooke in Dublin

THESE ARE tumultuous times on the normally placid waters of the lakes and rivers of Ireland. Strange signs have gone up on the shores of the western lakes: "Licensed Anglers not Welcome Here."

Avid anglers, arriving from abroad to test their skills on some of the best fishing waters in the world, find boatmen on strike and ghillies grumpy. Tempers have been lost and anglers, complete with rods and flies, have been hauled down to the Garda station.

What's being called "the rod war" broke out after Mr Brendan Daly, Minister for Tourism, Fisheries and Forestry, imposed new licence fees for freshwater fishing.

The sums involved do not amount to much: an annual I£15 (£12.80) fee for trout and most types of freshwater fishing, an I£25 fee for salmon fishing. But Irish anglers are a very independent lot. Vital principles, they say, are involved.

The Government says there is no such thing as a free fish. Fishermen must make some "contribution to the Exchequer to ensure that rivers and lakes are restocked and developed." Throw that one back, say the anglers.

"It's the angling clubs and organisations that have spent millions looking after Ireland's inland waters over the years. The Government has done nothing," says Mr Gerry Marry, chairman of the national anti-rod licence campaign.

"In the west, bitter and bloody battles were fought with the old landlords for free fishing rights. The anglers there see a licence as a symbol of the bad old days."

Tourists have become unwittingly caught in this fishing fracas. Each year more than 200,000 anglers come from abroad to fish Irish waters, contributing some I£45m in tourist revenue.

At the moment, though, the best of the country's 680,000 acres of lakes and 9,000 miles of river is effectively closed, as clubs refuse to let visitors on to their waters.

The Irish Tourist Board, Bord Failte, is gravely embarrassed. It seems it was not consulted about the licences. Its latest brochures advertise unrestricted and free fishing in Ireland.

Fisherman have arrived to find that, after all, they do need a licence. However, no boatman will take them out if they have purchased a licence, such is the anger generated by the fees. Tourists who have attempted to circumvent the regulations have had their rods confiscated by fishery officials.

Mr Walter Langenburger, a German angler who visits Ireland twice a year, is particularly perplexed. He was out salmon fishing, complete with his I£25 salmon licence, but when he caught two trout by accident, fishery officials accosted him in the middle of a lake and confiscated his catch, as he was not in possession of the I£15 trout licence (which Mr Langenburger had been assured he did not need).

Exit one very confused German angler, with no salmon and minus his two trout.

The may fly season, for many fishermen the ultimate test of their skill, is near. This means as much to the angler as the Grand National to the average racing punter, or a chapel ceiling to Michelangelo.

The lakeside bars and hotel lounges would be full of measuring gesticulations and talk of lines and spools. This year, however, it's likely to be a sad and bitter time.

Free-flier Andreotti runs into some flak

BY JOHN WYLES IN ROME

CRITICISM OF Mr Giulio Andreotti's somewhat independent style in determining Italian foreign policy has resurfaced after his swift unveiling of a Socialist proposal that the European Community seek a UN mandate to administer the occupied West Bank and Gaza.

There has been some astonishment at his decision to float the idea over lunch with other EC foreign ministers on Monday, despite the fact that it has not been examined by the new coalition cabinet, headed by Mr Ciriaco De Mita, the Christian Democrat leader. "No one should be able to consider foreign policy his own private affair," commented Mr Egidio Stirpa, deputy leader of the Liberal party.

A spokesman for Mr Andreotti, Foreign Minister for nearly five years, said yesterday that, since the author of the plan, Mr Bettino Craxi, the Socialist leader, had publicised it last Saturday, Mr Andreotti felt able to outline it to his EC colleagues and tell them that the Italian Government would be examining it.

He has since set up a study group in his ministry to look at the political and legal aspects, and the cabinet is due to examine the idea today. Some reports suggested yesterday that the foreign minister thinks it pie in the sky because Israel would never agree. Instead, Mr Andreotti is said to have fashioned his own alternative, based on an EC military force as a buffer between the Palestinians and Israelis, who would continue to administer the occupied territories.

Mr Sandra Viola, a leading commentator with *La Repubblica* newspaper, yesterday put the Andreotti initiative on Monday in the context of two other unexpected foreign policy moves last week. One was an extremely tough speech against Israel by the Italian ambassador to the UN during the Security Council discussion of the assassination of Abu Jihad in Tunisia. The Italian was the only European spokesman openly to hold Israel responsible for the killing.

The second was Mr Andreotti's strong criticism of the Algerian Government for releasing the hijackers of the Kuwaiti aircraft. He usually picks his words with great care when commenting on actions of an Arab government.

Was all this in line with the new Government's foreign policy, asked Mr Viola? "We do not want, as was the case with the Goria government, that the entire planning of our conduct abroad is left solely in the hands of the Foreign Minister."

Mr Craxi, meanwhile, has once again demonstrated that if you are a former Prime Minister and also leading the Christian Democrats' key coalition ally, you do not need to be a minister to determine policy. Behind his initiative lies the belief that Europe must be seen to be actively contributing to the search for a Middle East settlement since the efforts of Mr George Schultz, the US Secretary of State, do not appear to be heading anywhere, and because there may be a long hiatus in American diplomatic activity on the problem after the presidential election.

In an article in yesterday's edition of his party newspaper, Avanti, under his usual pen name, Ghino di Tacco, Mr Craxi complained that scepticism was too universal about attempts to solve the Arab-Israel problem.

Bonn baulks at buying free latest E German prisoners

BY DAVID MARSH IN BONN

THE WEST GERMAN Government, worried about the renewed wave of arrests of dissidents in East Germany, is indicating that it wants to change the long-standing system of buying political prisoners free from the Communist state.

Bonn officials say that several hundred East Germans have been arrested this year, with an "escalating tempo" during the past few weeks. A large number of these latest arrests, many of which have led to subsequent prison sentences, concern East Germans who have fallen foul of the authorities by applying for emigration permits.

Referring to the 25-year-old system of ransoming prisoners from East German jails through payments of goods by Bonn, one high-ranking government official said, Bonn would not secure the release of these people through the "mechanism in force up to now".

Bonn appears reluctant to buy the liberty of such convicts on the grounds that this would be rewarding East Berlin for jailing people who were not guilty of any overt "political" offences, but were simply trying to exert their rights to leave the country. The official confirmed that the ransom system, which has been in abeyance since last August after an East Berlin amnesty for political prisoners, had reached a watershed. He did not give any clue, however, of whether or how Bonn might try to secure the release of the latest captives.

Under the system in force to last August, Bonn has bought the release of 1,000 to 2,000 political prisoners a year, based on a "price" per head believed latterly to be between DM90,000 and DM100,000 (£28,600 and £31,800).

According to press reports based on information from East German churchmen, which Bonn officials could not confirm, East German courts have handed down, since the beginning of April, prison sentences of between 12 and 30 months to citizens wishing to leave the country. A total of 20 others are reported to have received heavy fines.

This is part of an attempt by the East German authorities to suppress emigration efforts sparked by the widely publicised exit of dissidents early this year. Bishop Gottfried Forck, a leading East German churchman, last week compared the flood of emigration applications lodged by East Germans to a "contagious disease, an epidemic", and said the mood was in some ways reminiscent of the departure wave before the Berlin wall was built in 1961.

Red faces in Italy over blue-dyed grapefruit

BY JOHN WYLES

ITALY'S "mystery of the three dead guinea pigs" became an embarrassing national preoccupation last night after it was established that a Europe-wide alarm had been set off over allegedly poisoned imported grapefruit that were not poisoned at all.

After the withdrawal of thousands of tonnes from the Italian market over the past couple of days and the triggering of an international alert, it seems that the six problem Jaffa grapefruit imported from Israel and found in a Roman supermarket had been impregnated by some unpleasant hoaxer with blue methylene.

This explanation, the most authoritative finding to date, was offered yesterday by scientists at the Higher National Health Institute after they had tested the blue substance found in the suspect citrus.

Why, then, did the unfortunate guinea pigs pass on after being introduced to the mystery substance earlier this week by a less prestigious laboratory in Rome? Guinea pigs, say the experts, can die of many things, either through overeating or through absorbing too much fibre. What cannot kill them is blue methylene which, irony of ironies, is a traditional antidote to cyanide poisoning.

If it has any beneficial impact on red faces, then it could well be distributed to the analysts who misinterpreted the cause of guinea pig deaths and also to the Italian Health Minister, Mr Carlo Donat Cattin, who stripped all shops and markets of their grapefruit stocks. He, however, is impervious to embarrassment, having sailed serenely through attacks over the past year for shelving a law to control smoking in public places and for mishandling the anti-Aids campaign.

Israeli citrus producers, who ship half the 53,000 tonnes of grapefruit imported to Italy every year, are greatly irritated by the results of this drama which may well have shaken public confidence in the purity of their product. That may have been the intention of the malevolent minds which conceived the hoax in the first place.

S Korean leader asks US to halt interference

BY MAGGIE FORD IN SEOUL

MR KIM DAE JUNG, South Korea's new main opposition leader, yesterday called on the US to stop interfering in South Korean politics and to make clear its unambiguous support for progress towards democracy.

Although the US had been a friend and ally of his country for years, rising anti-Americanism caused by Washington's attitude to change in South Korea made it increasingly difficult for him to defend the relationship, he said.

He claimed that the Washington had been involved directly or indirectly in alleged fraud during the presidential election won last year by Mr Roh Tae Woo, in which Mr Kim was a candidate. US officials had rushed to endorse the result ignoring the evidence of fraud and had made derogatory remarks about Opposition leaders, he said.

This approach was prejudicial both to the opposition and to long-term US interests in South Korea. It was time that the US made clear whether it was a friend of democracy or only interested in its own goals, and so a supporter of dictatorship.

Mr Kim also outlined his views on trade issues, where Washington is pressing Seoul to open its market to more imports. In principle, Mr Kim said, he was in favour of free trade, both exports and imports. But in the cases of agricultural products, particularly beef imports, South Korea, like Japan and the European Community, required some protection.

It was in any case a misplaced emphasis for the US to apply pressure for beef imports when the market was worth only $20m. Farmers should not be made to suffer when their debts had been caused by the previous Government's policies, he said.

Plummeting currency is undermining an IMF-backed economic reform package, **reports Our Kampala Correspondent**

Return of inflation threatens Uganda recovery plan

LESS THAN a year after Uganda introduced an economic reform package backed by the International Monetary Fund (IMF) and World Bank, hopes for recovery are being undermined by three-digit inflation and a thriving currency black market.

Inflation, which plummeted last June to a negative rate following a 76 per cent devaluation of the Ugandan shilling and the introduction of a currency note, has since returned to its pre-reform level of over 300 per cent a year.

Although the official rate of exchange is 60 Uganda shillings to the US dollar, the dollar fetches up to five times that rate on the black market, reflecting the real purchasing power of the shilling.

Ugandan civil servants burst out laughing when asked how much they earn.

A minister's secretary will tell you she gets 1,700 shillings a month ($23.33) and that this meets less than a week's needs.

An office messenger explains how he may go without breakfast or lunch just to get by.

Inflation took off last December, when the Central Bank abandoned most of its controls and the money supply trebled from 6bn shillings to 18.3bn shillings.

One reason for this was the cost of lavish arrangements for the recent economic summit of Africa's Preferential Trade Area members, refurbishing luxury hotels and importing new Mercedes Benz cars.

Another factor may have been the need to pay for the National Resistance Army's long campaign against the rebel priestess Alice Lakwena, who came within 50 miles of the capital last November.

At the same time, policy difference between the IMF and the World Bank on the one hand and the Government on the other led to a seven month delay in the disbursement of $176m balance of payments support due to be transferred last May, but not released until December.

Last month, in an effort to restore relations with donors, the Ugandan Government introduced an austerity budget.

It sharply reducing defence spending and allocations to the President's office in particular, but it also made cuts in the spending of most of the country's ministries.

The budget, which forms the basis of a three year economic package, helped sustain a surprising degree of optimism among the donors of aid about the country's economic prospects.

"Basically, the Government is now doing the right things," said Mr Karl Harbo, the European Community's resident representative.

People in business are more pessimistic. They point to continuing difficulties in getting foreign exchange for priority imports. They blame what they term bureaucratic sluggishness on the part of the Uganda Central Bank.

Many imports are brought using foreign currency bought on the black market.

Recently, a senior Ugandan politician also acknowledged an IMF criticism that most credits from commercial banks were being consumed by political heavyweights.

As part of the package, President Yoweri Museveni's Government has taken further steps to curb state spending. It carried out a census of civil servants with the intention of ending the practice of creating non-existent employees whose salaries end up in their creators' pockets.

Crackdowns on public corruption are now commonplace. Recently 10 members of the Lands and Surveys Ministry were suspended following widespread criticism.

"There is such rampant corruption in the Ministry," remarked the Government-owned New Vision newspaper, "that even some office messengers have bought vehicles."

The World Bank, apparently heartened by what it sees as renewed economic stability, has recently offered a further $500m in aid, although an earlier $52m had yet to disbursed.

At the same time aid from Western donors is being put to good use.

The European Community, one of Uganda's major donors, spent $35m last year, and has over $60m committed to mending 350km of the trans-Africa highway, which runs through Uganda. All over the country, main roads that lay abandoned under Mr Idi Amin and Mr Milton Obote are now being rebuilt.

The tea industry, potentially a major source of exports, is eligible for a $87m World Bank loan, conditional on the reorganisation of corrupt and inefficient state-owned tea factories.

But the problems of the sector go beyond these shortcomings. In western Uganda, seven tea factories which have just been rehabilitated lack transport to collect tea from local estates. And, at 10 shillings per kilo of green leaf, producer prices are unattractively low.

The current exchange rate also means that tea exports are unprofitable for local producers.

The producer price for Uganda's main export, coffee – which earns 95 per cent of the country's annual foreign exchange – is only 29 shillings per kilo. Coffee auditors estimate that Uganda grows 25 per cent more coffee than it registers in export figures because of hoarding and smuggling.

Plans to sell or dismantle other state-owned companies are well underway. Critics of the recovery package state, however, that the Government has failed to tackle the crucial issues of realistic salaries and proper payments for peasant farmers, who provide the backbone of Uganda's wealth.

"If you have been a hard-working and honest person in the past, today you must steal to survive," says Professor Mahmood Mamdani of Makerere University.

Above all, there is a striking contradiction between small signs of recovery and growing, financial hardship for the majority of Ugandans.

On the one hand, Kampala's characteristic potholes are being steadily patched-up, the city is busy and streets congested with thousands of cars.

On the other, spiralling urban inflation has, for most Ugandans, turned salaries into nothing but a joke.

Basic Law publication launches final stage of Hong Kong debate

BY DAVID DODWELL IN HONG KONG

PEKING yesterday launched a five-month debate in Hong Kong on proposals for political and constitutional change in the territory after 1997, when Britain is to hand sovereignty back to China after 150 years of colonial rule.

The proposals, embodied in an 84-page document, are the result of 30 months of discussion by drafters from Peking and Hong Kong. After a consultation up to September, a final draft of what is to be called the Basic Law will be prepared for approval by China's National People's Congress early next year.

Most debate is expected to focus on two issues. First, the procedures for the transfer of government in 1997, and secondly proposals linked with the powers of Hong Kong's judiciary once sovereign power has been transferred to China.

Pro-democracy members of the Basic Law Drafting committee have expressed alarm at Chinese plans to appoint a Grand Electoral College in July 1997, immediately after the transfer of power, which would in turn appoint an interim government, as well as a new chief executive in the territory. They claim this is contrary to the letter and spirit of the Sino-British Joint Declaration on Hong Kong's future, which guaranteed an elected legislature after 1997.

Assurances in the Joint Declaration on the independence of the judiciary after 1997 have also been put in question because of proposals in the Basic Law that Peking had ultimate authority to rule on questions of law. Worries have been aggravated by Chinese reluctance to support British plans to transfer Hong Kong's final court of appeal to the territory in 1992. This court now is the Privy Council in London.

After an initial campaign to disseminate the contents of the Basic Law Draft throughout Hong Kong, the Basic Law Consultative Committee in Hong Kong intends to mount a five-phase consultation period starting in June which will first concentrate debate on the relationship between Peking and the people, the future political structure, the economy, and finally matters linked with culture and education.

About 400,000 copies of the draft are to be printed over the next few days, the great majority of them in Chinese. They will be available at almost 900 distribution points around the British territory.

Officials in the colonial administration yesterday gave their support to Peking in asking Hong Kong people to study, and join in the debate on this blueprint of the territory's post-1997 constitution. Sir David Wilson, Hong Kong Governor, yesterday welcomed China's extensive efforts to gather opinions from people in Hong Kong. The Government has also given air time on local radio and television stations for Peking to promote debate on the Basic Law.

Publication of the Basic Law draft, which the Chinese painstakingly call "The Basic Law for Solicitation of Opinions", is seen as a political watershed in the territory. It marks the first occasion on which the initiative for political change in Hong Kong has moved from Britain to Peking.

It comes at a time of increasing anxiety among the territory's middle classes over the fate of Hong Kong after 1997, which has been reflected by a surge in emigration to countries like Canada and Australia. Handled badly, the summer's debate could dangerously aggravate the emigration problem. It could at the same time be a valuable opportunity for Peking to calm fears about the amount of autonomy that will be allowed the territory after 1997.

Taiwan sparks row with China at ADB meeting

BY RICHARD GOURLAY IN MANILA

TAIWANESE officials have provoked a row with China and the Asian Development Bank, now holding its annual general meeting in Manila, over the "Taipei, China" name for Taiwan that allowed both countries to be members of the bank and, this year, has brought them together for the first time in a main international forum.

The Peking delegation walked out of an ADB reception on Wednesday night after Taiwanese officials had blacked out the designation "Taipei, China" which the bank gave them in 1986.

In a sharply worded protest yesterday, the Peking delegation criticised the ADB for failing to stop the Taiwanese wearing badges with the "so-called national flag of the Republic of China", and for "allowing the occurrence of 'two Chinas' during the ADB meeting".

Before China joined the ADB in 1986, as the People's Republic of China, the ADB board of directors agreed to Peking's condition that Taiwan should be called Taipei, China. As a result, Taiwan, which was a founder member of the ADB 21 years ago, boycotted the last two annual meetings and returned this year to continue the protest over the name change which it never accepted.

The Taiwanese delegation made no comment after the Peking walkout but is expected to protest further today when delegates from the 47 member countries meet again.

The row is more than ritualistic. Taiwan wants to join more international organisations, particularly the General Agreement on Tariffs and Trade, and sees rejoining the ADB as a first step.

Fahd warns Tehran not to press Riyadh too hard

KING FAHD of Saudi Arabia warned Iran not to push him too far and said he would not hesitate to use CSS-2 missiles, purchased from China, to defend his country, a newspaper reported yesterday, AP reports from Kuwait.

In an interview published in Kuwait's *al-Seyassah* newspaper, King Fahd accused the Iranians of seeking to occupy the Grand Mosque of Mecca, Islam's holiest shrine, last year during the Hajj, the annual Moslem pilgrimage.

The Saudis severed diplomatic relations with Iran on Tuesday, citing "terrorism and subversion", including the July 31 riots by Iranian pilgrims in Mecca last year in which 402 people, including 275 Iranians, were killed.

The Saudis said their decision to break relations with Tehran also stemmed from the storming of the Saudi embassy in Tehran and the death of a Saudi diplomat following the Mecca riots, as well as Iranian attacks on neutral ships in the gulf.

Fahd said the intermediate-range CCS-2 missiles, "designed to shore up Saudi defence capabilities, will be used if our country is exposed to any threat". The missiles have a range of 1,550 miles.

"We hope that we will not be forced to use this defensive capability because we know that the region's peoples want to live in peace and security. But, if we are obliged, we will have no alternative. Our spirit of tolerance should not motivate the Iranians to believe that we are weak," he said.

"We hope Iran will stop its wrongdoing because we do not want it to test the ability of our people in defending themselves," the king said.

No easy Afghan guerrilla victory, warns Najibullah

PRESIDENT Najibullah of Afghanistan warned anti-government rebels yesterday not to count on an easy victory after Soviet soldiers go home, Reuter writes from Kabul.

At a news conference in the Afghan capital, he said: "Nobody has taken Kabul in the past and nobody will take it in the future. You should not have any doubt in that regard."

Referring to the period after Soviet troops withdraw, he said some leaders of the Pakistan-based rebel alliance believed they could move into a power vacuum. "They count on victory following the return of the Soviet troops. They think soon they will be coming to Kabul riding on white horses."

With a rare smile, Najibullah quoted an old Afghan proverb: "We regard this as sharing out a bear skin before the bear's been caught."

The heavy-set former secret police chief easily turned aside awkward questions and appeared confident of his own power. He was asked whether his country would continue to rely on Soviet help. He said that Soviet military advisers had been in Afghanistan even before the 1978 revolution and would be needed in the future, "taking into consideration the complexity of modern technology," he said.

"Not only Soviet, but also advisers from other friendly countries, and even capitalist countries, can help in the social, economic, cultural and even military spheres."

Violence marks Sri Lanka vote

LEFTIST gunmen shot dead a voter and wounded a policeman yesterday in Sri Lanka during local council elections shunned by more than half the eligible voters, police and officials said, Reuter reports from Colombo.

Police said three gunmen from the outlawed JVP – the People's Liberation Front – killed a 78-year-old retired textile weaver at his home after he cast his ballot in Wellawaya, Uva province.

A policeman was shot in the back and seriously injured at a polling centre in Maho in the North-Western Province. The assailants also stole his gun, police said.

Mr Chandrananda de Silva, the Elections Commissioner, said that overall fewer than half of registered voters had cast their ballots before polling closed.

Peace-keeping burdens India

By K.K. Sharma in New Delhi

THE peace-keeping operations by the Indian army in Sri Lanka are estimated to be costing New Delhi about Rs1.8bn (£73m) a year, Mr K.C. Pant, Defence Minister, told parliament yesterday.

This burden on India is certainly far higher than was expected when fewer than 5,000 troops were sent to Sri Lanka last July under the Indo-Sri Lanka accord signed by President Junius Jayawardene and Prime Minister Rajiv Gandhi.

Mr Pant yesterday said that the number had risen to just over 50,000, the first time that the Government has given a figure. It is thought this does not include the number of support personnel, which could bring the figure to about 70,000.

$285m Bhopal plan

THE Government of the Indian state of Madhya Pradesh yesterday published a $285m plan for the relief of victims of the 1984 Bhopal gas leak tragedy, K.K. Sharma reports from New Delhi.

It is believed that this will raise demands for compensation from Union Carbide, which owned the pesticide plant which leaked. The latest death toll figure was yesterday put at 2,998.

S African vote

SOUTH Africa's white chamber of parliament approved a constitutional change enabling white, coloured (mixed race) and Indian members to hold joint parliamentary debates on certain issues.

The far right-wing Conservative Party voted against the change, saying it was a prelude to black majority rule, Reuter reports from Cape Town.

Japan will conform to Gatt chip ruling

By Carla Rapoport in Tokyo

JAPAN is to conform with the recent General Agreement on Tariffs and Trade ruling which declared that Japanese chip export restrictions and price monitoring were illegal. These measures were set up by the Japanese to implement the 1986 US-Japan semiconductor pact.

According to government officials in Tokyo, the Japanese will accept the Gatt ruling as long as no other country protests against such a move. Government officials now in the US are seeking Washington's assurance that it will accept Japan's decision.

The officials said yesterday that they have not yet decided how they will modify their monitoring system to satisfy the Gatt, the global trade body. This decision would be made, they said, after May 4, when they plan to tell the Gatt of their intention of honouring the ruling.

The situation is tricky for the Japanese. The US insisted on a pact in order to stop Japanese companies dumping chips in the US and to improve sales of foreign chips in Japan.

The mechanism for stopping dumping was a government-sponsored price monitoring system, which was effective. As a result, the Ministry for International Trade and Industry stopped withholding export licences on the basis of this price monitoring last year following strong US protest.

But Miti had continued to gather price and cost information from Japanese electronics companies, and the Gatt recently declared that this action was illegal.

Tokyo holds fire on Toshiba case for Gatt

BY PETER MONTAGNON IN WASHINGTON

JAPAN may decide not to complain to the General Agreement on Tariffs and Trade about the sanctions against Toshiba, included in the US trade bill which passed the Senate on Wednesday night.

The sanctions, imposed because of Toshiba Machine's role in selling sensitive technology to the Soviet Union, include a three-year ban on US government procurement from the parent company, as well as a ban on importation of products from its subsidiary.

They will only be imposed if the trade bill, which President Reagan will attempt to veto within the next couple of weeks, becomes law.

Trade experts already believe the ban might be difficult to contest in the Gatt because the US could block the complaint on national security grounds.

It could also argue that Gatt was an inappropriate forum for discussing violations of international rules against the sale of sensitive technology to Comecon because two communist countries, Hungary and Poland, are members.

"We have not ruled out a Gatt approach, but Gatt is not a very attractive forum for discussion," said Mr Yoshiyi Nogami, Economic Counsellor at the Japanese Embassy in Washington.

Instead, Toshiba may attempt to challenge the sanctions in the US courts following questions raised during the Congressional debate on the bill about the sanctions' compatibility with the Constitution because they would be applied retroactively and without due process of law.

The difficulty facing Japan in complaining to the Gatt about the sanctions could also affect other countries which may in future be caught up in similar situations.

The EC used Gatt national security provisions to defend its trade ban against Argentina following the Falklands war. It would now have difficulty arguing that the provisions which permit discriminatory trade action on grounds of national security should not be invoked over illegal sales to the Soviet bloc.

Community vows to defend itself

THE European Community vowed yesterday to defend itself against US trade legislation and maintained the bill approved by Congress contained protectionist elements, Reuter reports from Brussels.

Mr Willy de Clercq, EC Trade Commissioner, warned: "The Community will react according to its rights under the Gatt every time its interests are damaged by unilateral measures taken by the US authorities."

Community lobbying had helped remove some of the most protectionist elements of the bill.

"The bill as adopted, contains dispositions which remain worrying and which appear to be clearly protectionist," he added.

A commission spokeswoman said the 12-nation Community was concerned about four parts of the bill which would:

- Boost subsidies for US farm exports, which compete directly with EC produce;
- Allow the US, and not international agreements, to decide which unfair trade practices merited retaliation;
- Allow US sanctions if export control rules were broken, even if the violations occurred outside the US;
- Demand equal access for telecommunications companies to foreign markets, a provision the EC says replaces overall reciprocity in trade relationships with rigid sector-by-sector approach.

Japanese pin hopes on Reagan veto

BY STEFAN WAGSTYL IN TOKYO

JAPANESE leaders, angry at the US Senate's decision this week to pass an omnibus Trade Bill, yesterday pinned their hopes on President Ronald Reagan's apparent intention to veto the controversial bill.

In contrast to the furious reaction last week to the approval of the bill by the US House of Representatives, Japanese government spokesmen yesterday tried to hide their anger.

They were clearly trying to avoid antagonising American public opinion before the president had formally given his verdict on a bill he has promised to veto in its present form.

The Japanese bitterly oppose proposed sanctions against Toshiba Machine and its parent, Toshiba Corporation, as punishment for the former's violation of rules on exports to the Soviet bloc.

> A US trade bill which forced Washington to take tougher action to open foreign markets will not have a major impact on Hong Kong, Mr Donald Anderson, US Consul-General there, said yesterday, Reuter reports from Washington.
>
> "Hong Kong is very sensitive about being lumped in as one of the NICs (newly industrialised countries)," Mr Anderson told the Hong Kong Association of New York. "But, by and large, Hong Kong people should be fairly comfortable about the bill."
>
> Hong Kong, which has not imposed barriers on US goods, should not come under the same category as some other Asian exporters, he added.

Japan is also concerned about provisions for tougher US retaliation against unfair trade practices.

Last week, Mr Hajime Tamura, Minister of International Trade and Industry, condemned the bill as anti-Japanese. Yesterday, he was much more restrained, calling on the US administration to make maximum efforts to prevent the bill becoming law.

Mr Keizo Obuchi, Chief Cabinet Secretary, said the bill's passage was "extremely regrettable". He feared it would have "a serious impact on bilateral and multilateral economic co-operation".

Government leaders took comfort from the fact that the Senate passed the bill by only 63 votes to 36 – short of the two-thirds majority that would be required to override the presidential veto. The house of Representatives gave the bill overwhelming support by 213 votes to 107.

The president has said he cannot accept a key provision of the bill – one requiring any US company employing more than 100 people to give 60 days' notice of closures and lay-offs.

Meanwhile, Toshiba Corporation said it deeply regretted the bill's passage. Mr Joichi Aoi, president, said it was wrong to punish the parent company for the actions of Toshiba Machine. He warned that, even if Mr Reagan were to veto the present bill, there would remain ample scope for a separate anti-Toshiba bill.

The omnibus bill would impose a three-year ban on Toshiba Machine sales to the US and on group sales to the US Government. In the 1986 financial year, Toshiba sold just $50m (£27.7m) worth of goods to the US Government.

Egypt opens up civil aviation policies

By Hoda Sarofim and Tony Walker in Cairo

EGYPT IS liberalising its civil aviation policies to allow additional carriers into the market to help cope with a tourist boom.

Several Egyptian companies, led by Zarkani Aviation Services (ZAS), a cargo carrier, are establishing passenger charter and air taxi services, and hope to be granted permission soon to operate scheduled domestic flights.

The new policy indicates that Egyptair's monopoly on domestic routes may be ending. Egypt's national carrier has had difficulty coping with the surge of tourists to the country in the past year.

Mr Amir el-Zarkani, owner of ZAS, said: "What we intend to be is the second national carrier because Egypt needs a second carrier". ZAS signed a letter of intent in January with McDonnell-Douglas of the US to purchase two MD83 passenger aircraft to form the basis of a new Egyptian airline.

The first of these aircraft is expected to be delivered next year. Meanwhile, ZAS has leased MD82 passenger aircraft for charter flights to Egypt and for possible use on domestic routes.

Mr Zarkani said his company was considering buying two 400-seater MD11s. ZAS was planning to spend about $240m on a new fleet of aircraft. Eximbank of the US and European banks would help finance the package.

ZAS was given special permission late last year to operate international charter flights into Egypt. Its permit comes up for renewal in May. Mr Zarkani was confident the authorities would approve his proposals.

Risk of telecoms row inside EC edges nearer

BY WILLIAM DAWKINS IN BERLIN

THE RISK of a political and legal row between the European Commission and member-states inched a step closer yesterday when Brussels confirmed that it will proceed with plans to ban national monopolies in the EC's telecommunications terminal market.

The move was announced by Mr Peter Sutherland, the Commissioner for competition policy, to a tense meeting of the EC's 12 telecommunications ministers in Berlin.

This means the directive will take legal effect within the next few days when the proposal has been officially handed to member governments. It will unlock, by the end of 1990, the hold exerted by most European postal and telecommunications authorities over the supply of most kinds of terminal equipment, ranging from telephones to modems.

Subscribers across the EC will thus have the right to buy terminal equipment from any supplier they like. All member states are politically committed to liberalising this important and rapidly growing market.

Total EC telecommunications equipment sales are worth Ecu 17.5bn (£11.5bn) annually, including sales of terminal equipment within the Community worth Ecu 9.5bn.

But yesterday's meeting showed that almost all EC Governments had joined France, the UK and West Germany in opposing the Commission's decision to advance the plans without all the usual consultations with Ministers and the European Parliament.

Brussels has chosen a rarely used EC competition rule – Article 90 of the Treaty of Rome – that allows it to issue directives on its own initiative to stop state-owned monopolies distorting competition.

Mr Sutherland insisted that this was the only practical alternative to tackling national postal and telecommunications authorities individually, and pointed out that national officials had been consulted.

Several such officials, however, expressed deep resentment at the Commission's approach. They heard it as a sour political note at this first stage of its implementation of the EC's general strategy for liberalising telecommunications by 1992.

"It is not in our interests to delay, but this is not the way to treat governments," said one official. The only exception was Mrs Neelie Smit-Kroes, the Dutch Minister responsible for the sector, who said the Commission should take this route more often.

Some diplomats suggested that France might fight the decision in the European Court of Justice because it also has minor reservations on details of the package.

However, any such action could not hold up the progress of the directive until the court had decided, which could take more than a year and might not go against Brussels.

In an attempt to defuse the row, Mr Christian Schwarz-Schilling, West German Telecommunications Minister, chairing the session, asked the Commission to produce a paper by June to clarify how the directive should be implemented.

"The aim is to clarify certain points of substance so that there is not a legal battle over the form," he said.

Venezuela to buy French jet fighters

By Joseph Mann in Caracas

VENZUELA will buy Mirage-50 jet fighters from France this year as part of a programme to modernise its air force.

General Jesus Ramon Avelledo, air force commander, did not reveal how many of the aircraft would be acquired or how much would be spent on them.

He confirmed a report that the French government would recondition 12 Mirage-3 and Mirage-5 fighters already in the Venezuelan air force.

The Venzuelan government initiated a big reappraisal of its military requirements in light of the serious incident with neighbouring Colombia last August, which brought the two countries close to confrontation.

The Venezuelan government acquired its first Mirage fighters about 15 years ago, and the air force now wants to add new jet engines and more sophisticated armament to the ageing aircraft.

News of the Mirage deal was made public in Venezuela two weeks after the government of Colombia agreed to buy 13 Kfir jets from Israel for $200m.

Besides its Mirage fighters, the Venezuelan air force has 24 F-16 jets purchased from General Dynamics of the US, and Brazilian Tucano trainers.

Australian shipping report attacked by two ministers

BY CHRIS SHERWELL IN SYDNEY

AN AUSTRALIAN government agency's attack on waste in the nation's coastal shipping industry has provoked criticism from unions, the shipping industry and government ministers.

The agency claimed excess freight charges in coastal shipping of 20 to 50 per cent were wiping A$300m (£122m) to A$700m annually from Australia's gross domestic product, and recommended foreign competition to force efficiencies.

The attack came this week in a draft report from the Industries Assistance Commission, the government's advisory body on assistance given to industry.

According to the commission, waste is equivalent to A$7 to A$16 for every tonne of cargo transported by ship around the Australian coast, or A$35,000 to A$80,000 for every worker employed in the industry.

It blamed over-regulation, complacent management and workers' indifference to costs, and pointed to over-manning, a high incidence of industrial disputes, and low productivity.

Federal Treasurer Paul Keating, under whose authority the commission falls, and the junior Transport Minister, Senator Robert Ray, voiced unhappiness over the report.

Mr Ray complained the agency had overstepped the mark in criticising shore-based activities, which were outside its terms of reference.


Paul Keating

Mr Keating endorsed the draft's broad conclusions but hoped the final report would recognise the "substantial advances" already made in coastal shipping and the docks.

The most strident criticisms have come from the Australian National Maritime Association, representing shipowners, and the seamen's union, both of which are appalled by the proposal for foreign competition.

On current initiatives over coastal shipping, the IAC said more could be done sooner if the coast were opened to foreign-flag competition.

APRIL *29, 1988*

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Noriega in crackdown on opposition

BY DAVID GARDNER IN PANAMA CITY

The White House yesterday dropped demands that Panama's strongman General Manuel Noriega should leave the country and said it was enough for him to step down from power, Lionel Barber reports from Washington.

The announcement marks a tactical retreat for the Reagan Administration, which has become increasingly frustrated over the failure of economic sanctions to remove Gen Noriega from power.

The Administration will also soon publish a list of exemptions to the sweeping financial sanctions announced under the International Economic Emergency Powers Act.

THE REGIME of Gen Manuel Noriega in Panama has cracked down on the opposition Civic Crusade in a bid to disrupt the business-led alliance's plan to paralyse the Central American country's cities for three days.

The 15,000-strong Panama Defence Forces is treating the Crusade challenge with a seriousness not seen since the riots the latter instigated last summer, when the drive to oust the general began.

Up to 30 Crusade organisers were picked up in swoops across Panama City on Wednesday and yesterday. The Forces set up road-blocks at all main crossroads and began to back their anti-riot men with the discreet presence of elite combat units yesterday, ready for the mid-afternoon start of the Crusade's latest protests.

The big challenge on the streets last month came from public employees, disgruntled when the government ran out of cash with which to pay them. Crusade demonstrations, little attended, were easily dispersed by pepper and tear gas, shotguns and water cannon, while Crusade leaders rarely turned out to lead the protests they had called.

Their already low profile, except on US TV news, has scarcely been visible since a raid on their headquarters in a luxury hotel at the end of March.

Eveen so, the authorities are treating the attempt to revive street protest as a fully-fledged plot. The attorney-general's office has threatened to use a panoply of sedition laws against demonstrators, and has made public details of a degree of Crusade grassroots organisation never detected till now.

Sources on both sides of the conflict claim this is because dissident Panamanian army officers in Washington are advising the Crusade on how to tie down the Forces through dispersal tactics – mounting multiple demonstrations and barricades from city neighbourhoods.

The mild-mannered Crusaders have switched to a more bellicose tone in their propaganda, threatening to create problems within the military through sustained attrition.

They are also trying to rally opinion through crude appeals to anti-Communist sentiment, claiming that the appointment this week of left-wing nationalists to the cabinet signals the advent of socialism in Panama.

For all this, negotiations are continuing secretly between Gen Noriega and the US. Mr Michael Kosak, the senior State Department official who led a US delegation here last week, returned to Panama on Wednesday and Thursday.

US officials have kept the talks leak-proof – not even acknowledging Mr Kosak's presence – but high-level sources say Washington's efforts focus on seeking a firm date from the general for his resignation.

In an interview with Panamanian journalists last weekend, a relaxed Gen Noriega joked: "Gen Noriega might leave today, tomorrow, August 12, November 3, December 16, or January 1, 1989. The calendar is open and full of dates."

Lionel Barber reports from Washington on a Central American policy miscalculation

Political change in Panama costs US dear

AFTER TWO MONTHS of economic sanctions, the Reagan administration's goal of ousting Panama's strongman, Gen Manuel Noriega, remains as distant as ever.

What started as a bipartisan effort by the administration and members of Congress to help Panama now looks like a botched job bordering on a debacle. Amid an atmosphere of recrimination in Washington, a re-assessment of policy is now unfolding.

US financial sanctions aimed at squeezing cash out of the Panamanian economy have hurt the people more than the Noriega regime. The economy is operating at 10 to 20 per cent, putting pressure on companies to lay off workers and alienating the generally pro-US Panamanian middle class. Back in Washington, the Treasury has received 1,000 telephone calls from US citizens and businesses based in Panama complaining about the sanctions.

Moreover, even if Gen Noriega and his drug-tainted entourage take the next flight out of town, the US faces huge costs, possibly up to $1bn, in restoring confidence and liquidity to Panama's cash-starved banking system.

A senior US official reckons the administration faces two choices: take a bloody nose and seek a Latin American-backed negotiated solution for General Noriega's departure, or continue economic sanctions knowing that, the longer they appear ineffective, the greater the pressure for US military intervention.

"That would be the disaster everyone has sought to avoid," said the official.

A few well-aimed kicks to the dollar-denominated Panamanian economy were all it was supposed to take to remove the general. What went wrong?

The chief target for criticism is Mr Elliott Abrams, the US State Department official in charge of Latin American affairs. Panama was supposed to have been his big moment, a chance to rehabilitate himself after his less than distinguished role in the Iran-Contra scandal, the covert White House operation to arm the Nicaraguan Contra rebels.

Some of the criticism is overcooked. Mr Abrams inherited a pro-Noriega policy in 1985, which included tacit support in the US intelligence services and the Defence Department for the general's drug dealings. The general was seen as a non-ideological ally in a politically stable, strategically vital, Central American state.

"Several of these officials are still involved in policy-making, which compromises the whole policy of getting rid of Noriega," said a senior Panamanian, anti-Noriega diplomat.

Mr Abrams may have tried to circumvent the obstructionists by privatising US policy early this year. He opened channels to Panamanian exiles and used an experienced former State Department official and Washington lawyer, Mr William Rogers, to represent what is now the government-in-hiding headed by M. Eric Delvalle, the figurehead president deposed by Gen Noriega in February.


Abrams: target of criticism no-one wants to bail out

In retrospect, his mistake may have been to pick Mr Delvalle as a credible democratic alternative and accelerate what had been a gradual, Panama-based effort to winkle Gen Noriega out of power. Mr Abrams won a few short-term friends in the narcotics-obsessed US Congress but he is now stuck with Mr Delvalle, who was originally installed by the general.

It was Mr Rogers who devised the financial sanctions. These sought to cripple the economy by freezing, via court order, about $60m of the Panamanian government's deposits held by four US banks in New York. Within days, banks in Panama could not meet the panicky demand for cash and Gen Noriega ordered a shut-down to avoid a disastrous run on deposits.

However, the financial sanctions were not followed by a concerted diplomatic effort to encourage the general to step down and the administration also underestimated the general's ability to survive and find the minimal cash necessary to keep the country going.

US intelligence sources claim that some of these funds (about $20m) has come from Libya. More recently the general did a deal with Mexico to mint $15m worth of new coins.

The next step could be an emergency clearing system, operated by other Latin American countries, to allow Panama's banking to re-open.

Strange to tell, Panama's attempts to break out of Washington's economic straitjacket come as the administration is loosening the straps.

Both the Treasury and the Federal Reserve, the US central bank, are acutely aware of the damage done by the economic sanctions to Panama as an international financial centre. These include the recent invocation of the sweeping International Economic Emergency Powers Act (previously used only against Iran, Libya and Nicaragua)

The Treasury is close to completing a list of exemptions under the Act, as it will apply to about 1,000 US businesses and 40,000 to 45,000 US citizens based in Panama, many of whom have "screamed blue murder" in recent weeks. US officials deny this amounts to a retreat but they agree that a blanket ban on companies paying tax to the Noriega regime makes no sense. "It would jeopardise US oil companies' activities in Panama and threaten air links between the two countries," said one official.

The deepest irony at work is that, throughout the affair as for most of Panama's history, the abiding US presence in the country and the Canal Zone has provided the dollar liquidity which has kept the country going, albeit at reduced activity during the current trouble. Indeed, until the recent sanctions, Panama's economic activity, legal and illegal, made it a consistent exporter of dollars.

Among the myriad opinion-mongers in Washington, the consensus now leans in favour of a negotiated settlement for Gen Noriega's departure to be attempted by Latin Americans. Mr Abrams's slashing style is more suited to his native New York than the diplomatic circles of Latin America, where he has few friends. "Nobody wants to bail out Elliott," said a senior Latin American diplomat.

The general may not quit on anything but his own terms.

So the Central American sore continues to fester in a US election year, as the eventual cost to the US taxpayer of repairing the tottering Panamanian financial system continues to mount.

Ex-ministers accused of extortion in Argentina

By Tim Coone in Buenos Aires

TWO ARGENTINE former ministers have been arrested in Buenos Aires and charged with the illegal detention of, and attempted extortion from, a businessman during the last military government.

Mr José Martinez de Hoz, the military's economy minister from 1976 to 1981, together with former general Albano Harguindeguy, interior minister of the first military junta after the 1976 coup, were placed under preventive arrest on Tuesday evening by a federal judge after more than two years ofinvestigation into the case.

The charges relate to the five-month imprisonment of a textile magnate, Mr Federico Gutheim, and his son in 1976 and 1977. This is alleged to have been on the instructions of Mr Martinez de Hoz, for supposed "economic subversion".

Mr Gutheim later claimed, however, that he was obliged to obtain his release by signing over a lucrative cotton-exporting contract with a Hong Kong-based company. This benefited a foreign company to which Mr Martinez de Hoz is alleged to have had business connections.

A former military president, ex-general Jorge Videla, has also been cited in the case. He is now serving life imprisonment for his responsibility in organising the 1976-83 repression in which more than 9,000 people are known to have disappeared following arrest by the military authorities.

Meanwhile, a US court has approved the extradition to Argentina of Mr Guillermo Suarez Mason, a former general under the same military regime, to face trial on 39 counts of homicide and the falsification of a passport.

He was in charge of the First Army Corps in Buenos Aires after the 1976 coup. More than 5,000 of the 9,000 known cases of disappearance occurred under his jurisdiction. Mr Suarez Mason fled Argentina in 1984, shortly after the restoration of democratic rule, and was arrested in the US in January 1987.

Earlier this week another US court awarded $21.1m in damages against Mr Suarez Mason to an Argentine lawyer now resident in the US, who suffered torture and imprisonment for four years under the military regime for his defence of arrested trade unionists.

Brazil to impose constitutional restraints on foreign companies

BY IVO DAWNAY IN RIO DE JANEIRO

FURTHER RESTRICTIONS on the activities of foreign companies in Brazil are now certain to be included in the country's constitution, after a deal this week between nationalist interests and those seeking freer trade.

The compromise paves the way for votes in the Constitutional Assembly, scheduled last night, to reserve prospecting for as yet undefined "strategic minerals" to Brazilian companies and to halt all new foreign risk contracts for oil exploration without prior approval from Congress.

The deal was reached after lengthy negotiations following the nationalists' crushing defeat in Congress (which makes up the assembly) on Tuesday of clauses, proposed by economic liberals on the centre-right, which would keep the status quo.

Nationalist sympathisers were yesterday greeting the accord, which was passed by 519 to nine votes, as a big success which would ease the future imposition of measures to reserve markets for Brazilian-owned companies. The vote was to agree the wording of clauses to be put to a plenary sessions of the assembly.

However, the agreement was condemned by several leading Brazilian newspapers as a big backward step for the country's development at a time when states around the world are encouraging inward investment.

The key clause hinged on the creation of a new category of company, defined as "a Brazilian company of national capital". The liberals had sought vaguer wording that designated all companies headquartered and administered in the country as "Brazilian".

They now fear that the new concept will provide an easy mechanism for restricting the activities of companies with foreign capital in the future.

The accord also prevents all but wholly Brazilian companies from prospecting in frontier or Indian tribal territories. No agreement was reached by the two sides, however, on whether only Brazilian majority-owned companies should be allowed to distribute petrol and alcohol fuels.

Foreign oil companies with wholly-owned Brazilian subsidiaries – such as Shell, Texaco, Atlantic Richfield and Exxon – have waged a national campaign to maintain their distribution rights.

Canadian Liberal leader to fight on

BY DAVID OWEN IN TORONTO

MR JOHN TURNER, the Canadian Liberal leader, this week vowed to lead the party into the next election, despite a call for his resignation from a majority of the party's 38-member Parliamentary caucus.

As many as 22 Liberal MPs reportedly signed a letter demanding Mr Turner's resignation. The development marks the most serious challenge to Mr Turner's authority since he led the party to defeat against Mr Brian Mulroney's Conservatives four years ago.

The development comes at a time when the party – despite leading the polls and performing strongly in three recent provincial elections – faces a litany of serious problems as it attempts to gear up for the next election, due by September 1989.

These include the party's heavy debt, Mr Turner's relative unpopularity (both he and Mr Mulroney trail Mr Ed Broadbent, the left-of-centre New Democratic Party leader in the personal popularity stakes) and, most seriously, the deep rift in party ranks over the Meech Lake constitutional accord.

While Mr Turner, along with Mr Broadbent, endorsed the accord (which brings Quebec willingly into the federal constitution for the first time), 10 Liberal MPs voted against it in the House of Commons.

Reservations towards the pact are also apparent among provincial Liberal leaders. Mr Pierre Trudeau, Mr Turner's predecessor as Liberal leader, has, meanwhile, advocated throwing the accord into the dustbin.

The challenge to Mr Turner has again fuelled speculation in Ottawa that Mr Mulroney might be tempted to call a snap election while the official opposition is in such palpable disarray.

World Bank capital rise approved

By Stephen Fidler, Euromarkets Correspondent

THE WORLD BANK said yesterday a proposed general capital increase of $74.8bn had become effective. This allows it to carry out plans to expand its borrowing and lending.

The approval yesterday of the increase by Saudi Arabia, with 3.28 per cent of the voting power on the bank's board of governors, pushed the total of votes in favour past the necessary 75 per cent.

Of the 151 member countries, 133 have approved the increase. The approval was not a surprise to many observers but it occurred more quickly than many had expected.

However, the US – with near 18.5 per cent of the voting power – still has not ratified the increase, in spite of the support of the Reagan Administration. This is because of wrangles in the US Congress.

The capital increase will take place whether or not the US agrees. If no US ratification is forthcoming, the US would lose voting power and therefore influence at the World Bank. The increase will raise the bank's authorised capital to $171bn.

The initial subscription for the new capital is 3 per cent, and the remainder is expected to arrive over five years. It will allow the bank to increase its lending over the period by about 10 per cent annually to more than $20bn a year in the early-1990s.

Mexican economy weathers 1987 storms

BY WILLIAM ORME IN MEXICO CITY

MEXICO weathered 1987 surprisingly well, despite slow growth and record inflation, the central bank's annual report, published this week, shows.

The Banco de Mexico is the country's definitive official source for budget data, balance of payments figures, and other economic statistics.

Mexico doubled its foreign currency reserves last year to $13.7bn, the bank reported – an all-time Latin American peak. A strong private export drive helped it record a $3.9bn surplus in the current account of the balance of payments, reversing the $1.7bn deficit of 1986.

Spurred by debt-equity swaps, direct foreign investments also doubled, rising to $3.25bn in 1987 – Mexico's biggest foreign investment influx since the oil boom years.

The key to these achievements, economic officials contend, was the strides Mexico made toward controlling spending. "When you have your fiscal adjustments in order, everything else falls into place," a central bank officer said.

The government's financial deficit, driven up by inflated peso interest rates, reached 15.8 per cent of gross domestic product last year, almost unchanged from the 16 per cent reached in 1986. Officials had projected a financial deficit of 13.8 per cent of GDP. But the government posted a so-called "primary" budget surplus of 4.9 per cent of GDP, more than double last year's 2.2 per cent of GDP.

Primary budget figures measure actual spending against real revenues, while the financial deficit also takes into account domestic debt servicing costs.

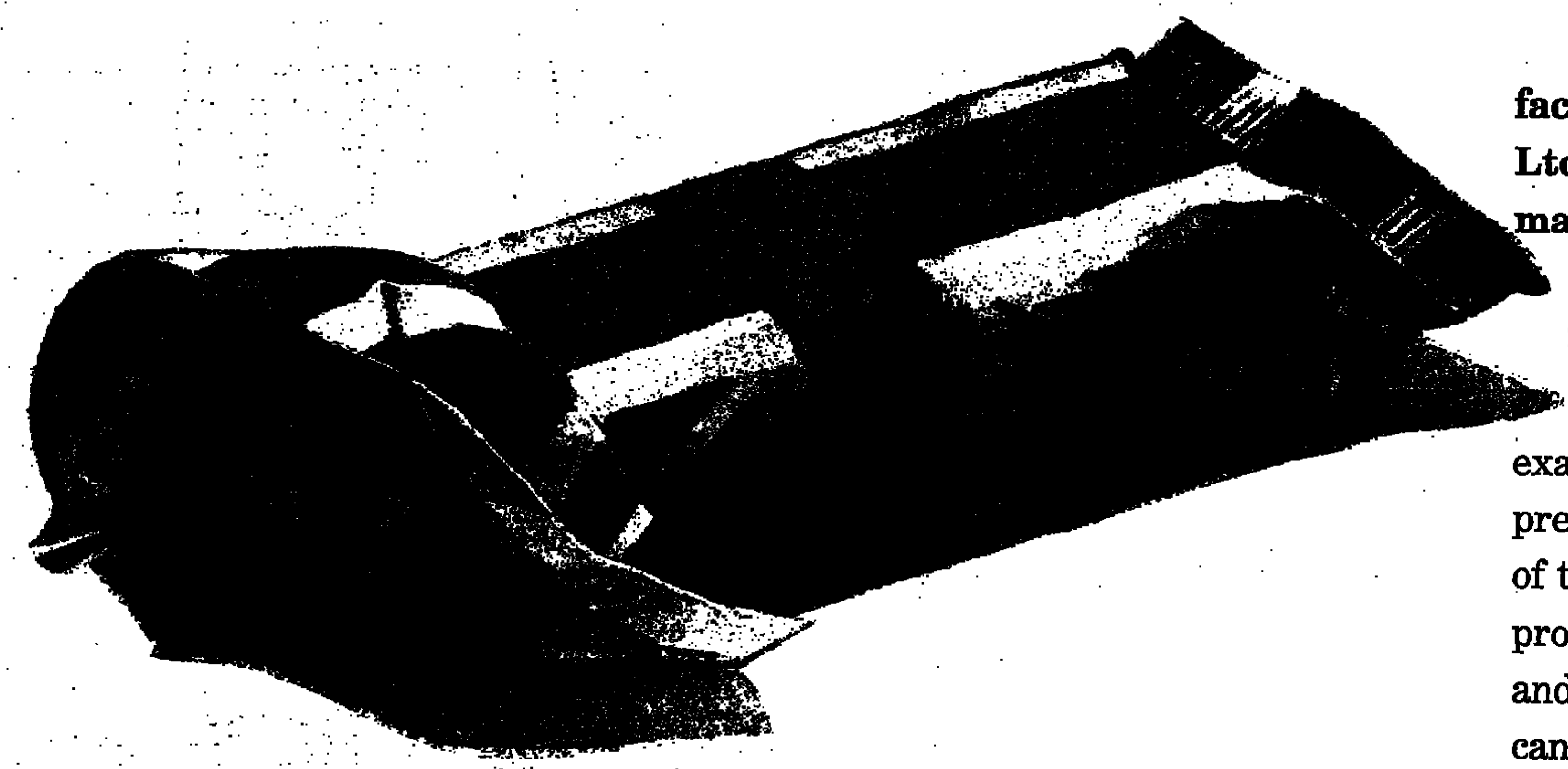
For most ordinary Mexicans, however, 1987 was a difficult year. While inflation soared to a record 159 per cent, the economy expanded by a sluggish 1.4 per cent – hardly compensating for 1986's 4 per cent contraction.

Agriculture and mining remained depressed due to low commodities prices. But Mexican export manufacturers had their best year ever. Their most impressive achievement was the tripling of the private sector trade surplus to $1.05bn, despite a 17 per cent jump in private business imports to $9.44bn.

Private manufacturers saw a 39 per cent rise in their export earnings last year, to $8.84bn. This was more than the $8.63bn earned by the government from petroleum exports, even though improved oil prices produced a 41 per cent jump in crude earnings. Mexico's economy was aided in 1987 by a $9.1bn intake of new foreign loans and by the parallel retirement of old debts.

Swaps of debts for equity – a programme offered only to foreign investors and suspended in November for monetary reasons – retired $1.48bn in outstanding government loans last year, the central bank reported. Amortizations and pre-payment schemes eliminated $3.04bn of private sector foreign debts. Most of these debts were cancelled at steep discounts of 50 per cent or less officials said.

Cadbury Schweppes invested £97 million here.



More specifically, "here" was the factory floor. From 1981 to 1983 Cadbury Ltd. spent £97 million making the manufacturing capabilities of the confectionery division among the most modern in the world.

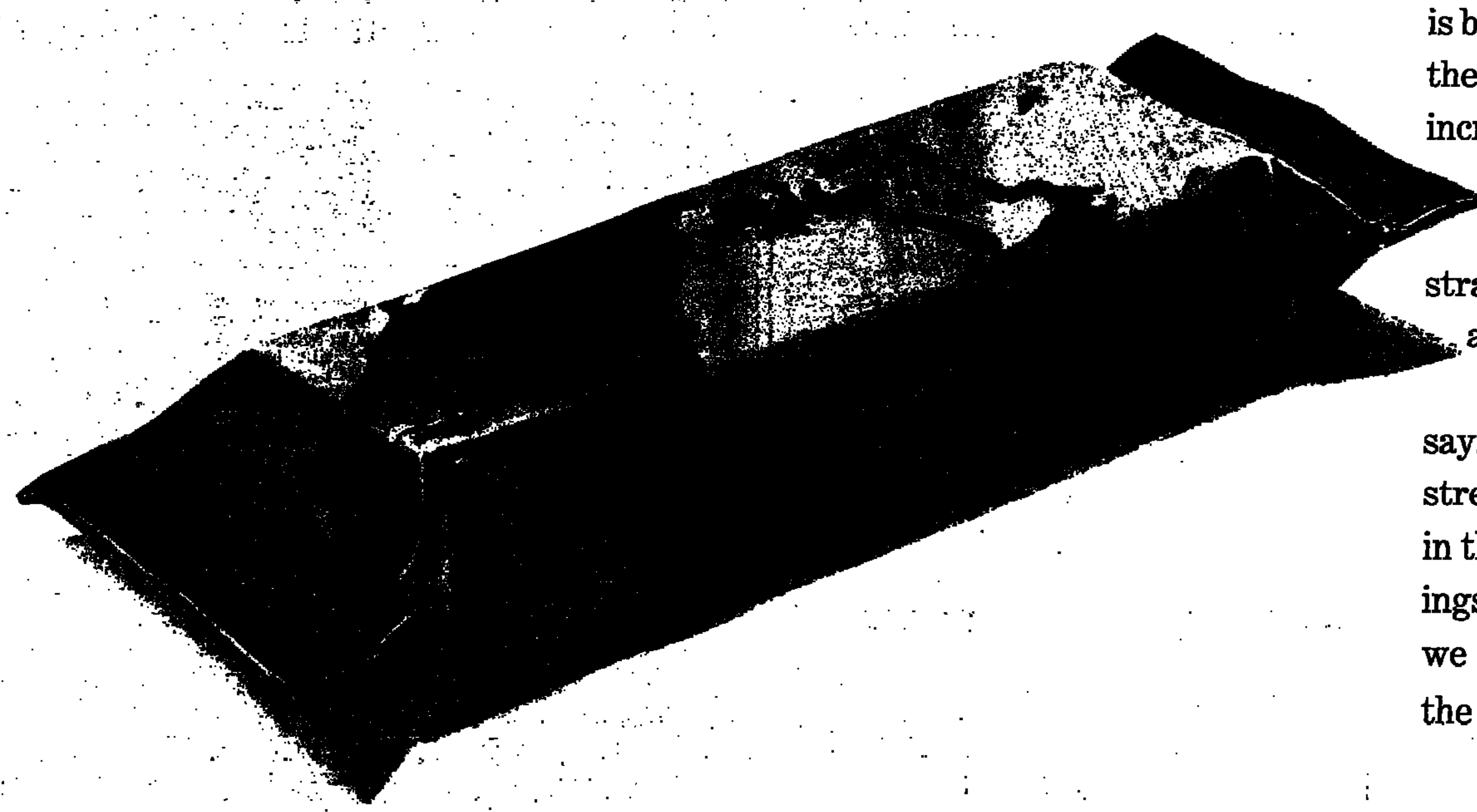
Let us quote just one small but typical example. Crunchie bars are now cut by a high pressure jet of coconut oil. This saves 50% of the honeycomb wasted by the old cutting process. It's one of the many modernisations and rationalisations that gave us a significant increase in productivity per employee. And that provided money – money that was used to boost our marketing effort.

Profits doubled as a result.

So we could capture more of the market we increased our advertising "share of voice" in the sector. In 1987 we invested £3.5 million more than the previous year. We also embarked on a major programme of new product development. 13 brands have been launched since 1980. Biarritz and Wispa are already acknowledged confectionery classics. These moves helped increase our market share to 29% (remember, in a market as huge as this, one percentage point is worth over £20 million).

Aggressive marketing has more than doubled trading profits since 1981, reaching some £57 million in 1987. So carefully planned management is achieving exciting profit growth.

And we're not going to stop there.



The success of Cadbury Ltd. in the UK is by no means the whole story. We've applied the same principle of reducing costs and increasing marketing investment throughout the world. What's more, growth in 1988 will be further enhanced by recent strategic acquisitions in the USA, Australasia and France.

As Chief Executive Dominic Cadbury says, "The management skills which have strengthened Cadbury Schweppes' position in the market place and increased 1987 earnings per share by over 33% will ensure that we capitalise on these new opportunities for the benefit of our shareholders."

Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

UK NEWS

Lloyd's accused over failure to support reform

BY NICK BUNKER

LLOYD'S, the London insurance market, has come under heavy fire from a committee representing 4,000 of its members for refusing to back what they see as a key reform recommended by last year's Neill report on the market's system of regulation.

The row centres on a proposal contained in a 112-page report published yesterday by a Lloyd's working party. It presents ideas for redrafting the standard contracts which govern relationships between the 32,000 members of Lloyd's (or "Names") and the underwriting agency companies which manage their business affairs.

Lloyd's considers the report so important that it convened a special press conference at short notice to allow Mr Edward Walker-Arnott, a leading City of London solicitor, who served as the working party's chairman, to explain it.

But last night the Association of Lloyd's Members (ALM), which speaks for about 4,200 Names, said the report was "against the letter and spirit of Neill" in its treatment of what Lloyd's agents call a "deficit clause."

This means that if a Name makes a loss on an insurance syndicate, then the loss is offset against the commissions he has to pay to his underwriting agent out of profits he makes on other syndicates.

Since the mid-1960s three reports into the affairs of Lloyd's – the Cromer report in 1969, the Fisher Report in 1980, and finally the Neill report – have either recommended that a deficit clause should be made mandatory, or said there was a strong case for doing so.

But Mr Walker-Arnott's working party has opposed this, partly because it says a mandatory deficit clause could endanger the commercial viability of underwriting agents.

"It might well affect – detrimentally from the point of view of Names – the attitudes of those working for the benefit of Names", its report says.

Mr Anthony Haynes, the ALM's chairman and a director of Booker, the multinational trading company, hit back saying that the ALM was "deeply unhappy that the working party has not followed a recommendation made by Cromer, Fisher and Neill".

Mr Walker-Arnott defended his apparent failure to follow Neill on the issue by arguing that the Neill report was ambiguous on the matter.

When questioned by reporters, however, he admitted that his working party had not asked any of the Neill report's authors to clarify what they meant by a mandatory deficit clause.

Turkish yarn imports put Yorkshire mills in spin

By Alice Rawsthorn

IN THE dark days of the early 1980s when thousands of people lost their jobs in the Yorkshire wool industry, Benson Turner, one of the old spinning companies, could pride itself on keeping its workforce intact. But last Friday it had to make 32 of its 390 employees redundant.

Benson Turner is not alone in resorting to emergency cost-cutting. Most of its fellow acrylic spinners have been forced into short-time working and redundancies

All the spinners face a common problem: demand for acrylic yarn from their chief customers, the knitwear manufacturers of the East Midlands, has declined in recent months.

One reason for the decline is the change in fashion away from knitwear towards more tailored clothing. Another is the increase in knitwear imports, fuelled by the strength of sterling against the Far Eastern currencies. But the thorniest problem is the surge in imports of cheap acrylic yarn from Turkey, which has drained demand from the UK mills.

Three years ago UK imports of Tukish acrylic yarn were negligible. But they have since risen steadily. Last year about 4,500 tonnes of yarn arrived, about 10 per cent of the market.

This yarn has taken market share from the UK mills. Similarly, the low price of the Turkish imports – at 270p a kilo, compared with the market average of 350p to 400p a kilo - has squeezed profits.

There has also been a surge in imports from Mexico, and though only 1,500 tonnes landed last year it is even cheaper than the Turkish yarn.

These import problems were exacerbated by the weak knitwear market. Changes in fashion and rising imports made it one of the few textile sectors to see 1987 output fall.

The Yorkshire spinning mills first detected a downturn in demand last summer. This worsened until, by the end of 1987, almost all the acrylic spinners were forced to take emergency measures.

The acrylic spinning sector is dominated by relatively large companies: Mosley which, like Benson Turner, is privately owned; Thomas Burnley, part of the Coats Viyella empire; a small subsidiary of Courtaulds; and the publicly quoted Lister.

All have invested heavily in modernising their mills in the 1980s. Benson Turner alone, with sales of £17m, has invested £10m in the past eight years. Mr David Sutcliffe, chairman, says that this investment may now be jeopardised.

Lister has taken the most drastic action. It introduced short-time working and made some redundancies earlier this year. However, two weeks ago it said it would close one of its two mills, losing almost 100 jobs.

Thomas Burnley's plants have returned to full-time working, if not at full capacity. So far the only job losses - about 10 in a workforce of 1,080 – have come from natural wastage.

The chief hope for the spinners – and for their counterparts in France and Italy, which have suffered a similar surge from Turkey – was that the European Commission would respond to the appeals they made last autumn, by imposing quotas on imports of Turkish yarn. The Commission responded. But the industry thought the quotas too high. The Britons and the Italians are appealing for a reduction.

Sharp offshoot plans expansion in Wales

BY NICK GARNETT

SHARP PRECISION Machinery, a subsidiary of Sharp Corporation, the Japanese electronics company, is establishing a production plant in the UK to make precision components and other equipment.

The plant, to be built at a cost of £3m next to Sharp's existing facility at Wrexham, North Wales, will have an initial workforce of 50, company officials said yesterday. Local authority officials in Wrexham expect this number to double.

The company said it would be manufacturing stamping tools and dies and small precision components used in consumer electronic equipment and motor vehicles.

Products would include casings for electronic products and some injection moulding. Output would be sold to a range of European manufacturers, the company added.

This will be the first plant opened in Europe by this division of Sharp. It said that it expected annual sales of Y1bn (£4.3m) by next year.

Sharp already employs 1,000 at Wrexham producing videos, microwave ovens, electric typewriters and plain paper copiers.

It announced in March that it was studying plans to build a compact disc plant in Europe.

Our Belfast Correspondent writes: Michelin,the French tyre company, yesterday announced a £13m investment programme at its Northern Ireland factory which will increase output by more than 15 per cent over the next three years.

New equipment being installed at the company's Ballymena factory in County Antrim will improve its ability to meet market demand for different types of tyres.

The plant, which employs 1,000 people, has produced more than 6m truck and bus tyres since opening in 1969 and 50 per cent of present production goes to the US with the remainder to markets in the UK and Europe.

The investment is being supported by the Industrial Development Board for Northern Ireland.

Mr John Steele, factory manager at Ballymena, said Michelin was the market leader for low profile truck tyres in the US.

He said: "All our tyres are radials to which US truck owners are increasingly turning."

NatWest funds university chair in Japanese studies

NATIONAL Westminster Bank, the biggest of the UK clearing banks, has endowed a chair in Japanese studies at the University of Stirling in Scotland.

The five-year sponsorship is to be worth £300,000. It will also include research grants and bursaries.

The chair is believed to be the first in such studies which is not being sponsored by the Japanese.

Professor Ian Gow, who heads the Japanese studies centre at Stirling, said: "Only when British business takes Japan seriously enough to invest significant sums in developing greater expertise among our managers will we really make progress."

Higher interest rates forecast

BY RALPH ATKINS

THE TWO cuts in interest rates since the Budget this year will be reversed by the end of the year, the Oxford Economic Forecasting unit predicts in a report published yesterday.

In its latest forecast for the UK economy, the organisation says it believes the Government will continue to follow a policy of exchange rate management. This makes the outlook for interest rates uncertain.

However, by the end of 1988 sterling's "fundamental weakness" may be beginning to show while domestic monetary conditions will continue to demand policy tightening. The result will be interest rate rises which will offset two recent half percentage point cuts in base rates.

The forecast says short-term rates will remain at 9 per cent or above until 1990 or 1991 when a relaxation of policy in the run-up to a general election means that rates will fall to nearer the present 8 per cent.

Economic growth this year is expected to about 3 per cent after 4.4 per cent in 1987. In 1989 and 1990 there will be further declines, due to a US-led slowdown in world activity, to 2.0 and 1.9 per cent, respectively.

Retail prices are forecast to rise 3.5 per cent this year compared with 4.1 per cent in 1987. In 1989 inflation is expected to rise to 5.2 per cent.

● Interest rates could rise to 10 per cent by the end of the year as the Government seeks to contain inflationary pressures and excess demand, a leading security house forecast yesterday.

In its latest economic outlook, Hoare Govett says strong growth this year will exacerbate strains in the UK economy. A current account deficit of £4.5bn is forecast for 1988 with inflation rising to 5 per cent by the last three months of the year.

Howe fails to prevent TV film on IRA shoot-out

BY RAYMOND SNODDY

THE INDEPENDENT Broadcasting Authority yesterday rejected a Government appeal to postpone the showing of a Thames Television documentary on the death of three IRA members in Gibraltar, and cleared the programme for transmission on schedule last night.

Both the approach to the IBA by Sir Geoffrey Howe, the Foreign Secretary and the decision by Lord Thomson of Monifieth, the IBA chairman to reject it led to noisy scenes in the House of Commons at question time.

The programme Death on the Rock, a This Week documentary, contains allegations by eye witnesses that at least two of the IRA members in Gibraltar on a bombing raid were shot by members of the Special Air Service while their hands were in the air.

The appeal from Sir Geoffrey to postpone the showing of the programme until after the holding of inquest scheduled for June was attacked yesterday in the Commons by Labour's home affairs spokesman Mr Robin Corbett, who called unsuccessfully for a debate on what he saw as Government political interference in broadcasting.

Mr John Wakeham, Leader of the House, said that Sir Geoffrey had only been trying to warn the IBA about the dangers of prejudicing the Gibraltar inquest.

The IBA decided against withdrawing the programme after both its chairman and Mr John Whitney, the IBA director general viewed the programme. The Authority said Death on the Rock was "a responsibly made documentary, which assesses and analyses the role of the terrorists and the SAS in a thorough manner."

"The programme made absolutely clear the full horrors of the crime being planned in Gibraltar by the IRA."

The IBA decision was taken after after counsel's advice that transmission of the programme was not in contempt of court. The authority took the view that the material in the programme was unlikely to prejudice the outcome of the inquest and that to postpone it now would give the IRA even more "oxygen of publicity."

Conservative MPs made clear their anger at the programme and one MP, Mr Jerry Hayes, accused television companies of "raking through the gutters of Gibraltar finding people to rubbish our security forces."

Mr Tom King, the Northern Ireland Secretary said he shared Mr Hayes' concern and said very difficult questions were raised if they included "actual live interviews with people who are likely then to be witness in the inquests." Mr Kevin McNamara, the shadow Northern Ireland secretary, said Sir Geoffrey's request to the IBA was a further example of "ministerial arm-twisting" of the media.

Yesterday decision by the IBA, a body some believe is now having to fight very hard to keep its role in the future of British broadcasting, is unlikely to endear it to Mrs Margaret Thatcher, Prime Minister.

Virgin Group poised to take control of Super Channel

BY RAYMOND SNODDY

MR RICHARD BRANSON'S Virgin Group is about to take effective control of Super Channel, the European satellite channel officially launched by Mrs Margaret Thatcher, the Prime Minister, a year ago in January.

As the result of a proposed financial restructuring and rights issue the Virgin stake in the channel is set to rise from its present 15 per cent to between 40-45 per cent.

Mr Robert Devereux, managing director of Virgin Communications, has already taken over as executive chairman of Super Channel which is delivered to cable television networks throughout Europe.

When it was set up Super Channel was backed by Virgin and every one of the ITV companies apart from Thames Television. But as losses mounted a number of the smaller ITV companies decided they did not want to invest any more money and Central Independent Television, one of the "big five" network companies made clear that it wanted to withdraw altogether.

As a result of the restructuring, which has to be formally approved at an emergency general meeting on May 12, the remaining major shareholders, apart from Virgin will be Granada 20 per cent, Yorkshire 20 per cent and Anglia 5 per cent.

Other ITV companies will hold small residual stakes but these will be heavily diluted by a rights issue expected to raise around £10m to keep the channel in existence.

The financial performance of the channel has been improving, but the development of a pan-European television advertising market has been much slower than expected and losses of around £12m are expected for this year.

Sky Channel, Page 12

TV watchdog compromise near

A POSSIBLE compromise began to emerge on the role of the planned Broadcasting Standards Council yesterday such as would allow Sir William Rees-Mogg, former editor of The Times, to become its first chairman, writes Raymond Snoddy.

Sir William, who is also former vice-chairman of the BBC Governors, is widely regarded as being front runner for the controversial job of running a body designed to investigate how sex and violence is treated by British broadcasters.

Sir William has been portrayed as wanting to be given the right to preview programmes before their transmission as a condition of considering taking the job. There was also the implication that if such previewed programmes were deemed unsuitable Sir William would want the Council to have the right to prevent their transmission. This would would cut directly across the role of the Independent Broadcasting Authority and the BBC Governors.

Lord Thomson, the IBA chairman, Sir Donald Maitland, his deputy, told Mr Hurd on Tuesday that such right of preview by the council would be a serious mistake, particularly if there was also a right to ban. Neither, however, threatened to resign over the issue.

It is now clear that Sir William is seeking much more modest powers for the council, the creation of which was announced by Mr Douglas Hurd, the Home Secretary, at the Conservative Party conference last October.

Sir William wants the council to have the right to preview only material which British broadcasters import, particularly American films and police drama series with a high content of violence.

The former Times editor is not asking for the right to preview programmes made by British broadcasters, nor is he seeking the right to ban programmes in advance. He is seeking merely the right to express an opinion on the bought-in material which is previewed.

Sir William is making it clear that he has no desire to censor either mildly erotic programmes or works of serious intent. His main target would be programmes showing gratuitous violence and where sex is linked with violence.

When he first spoke of setting up the Council, Mr Hurd stressed that the constitutional and editorial independence of the existing broadcasting authorities would not be affected.

The Home Secretary said the Council would not take over the authorities' existing responsibilities for enforcing broadcasting standards.

It was being stressed yesterday that the policy had not been changed. It was being suggested that the limited right to preview bought-in material being sought by Sir William might not be inconsistent with stated policy and that a resolution of the impasse seemed possible.

LOCAL POLICE WARNED OF PLAN TO BREACH PICKET LINES

P&O to resume passenger sailings

By Our Labour and Transport Staff

P&O European Ferries plans to operate a full passenger service once it brings its ferries back into operation in a bid to break the three-month-old seamens' strike at the south coast port of Dover.

It had been thought the company would try to run only a freight service. The company said last night it also aimed to run a passenger service, in what amounts to an attempt to break the strike completely.

It also plans to change crews on the ferries once they arrive in Dover, rather than changing crews on the European mainland as was first thought. It plans to take workers through the Dover picket lines in armoured buses.

The company is planning to restart services from Dover to Boulogne and Zeebrugge as quickly as possible after the first crossings to Calais.

The plans indicate that the 250 crew flown to Rotterdam on Thursday are set to bring back all five ferries at the port, rather than supplying replacement crews for the first two ferries the company plans to resail.

P&O was forced last night to delay further the departure of the two ferries being prepared to sail from Rotterdam because of safety checks. The delays cast doubt on the company's claims that it would have several ferries back in Dover by the end of the week.

Meanwhile, a High Court hearing, called to determine whether the NUS should be fined or sequestrated for unlawful secondary action against Sealink British Ferries at Dover and Folkestone.

The company said it wanted to allow time for the NUS to instruct its members that Sealink services should not be disrupted in support of the P&O dispute at Dover. It said: "We do not want to break the NUS. They do represent our employees and we have to continue working with them."

Mr Justice Michael Davies ordered the union not to move any assets out of the country after an application from Midland Bank, the NUS's bank, which said it was concerned by recent unusual instructions from the union involving substantial sums.

However Mr Sam McCluskie, the union's general secretary told pickets in Dover the dispute could escalate into a national dispute if the union's assets were seized.

Lex, Page 24, Editorial Comment, Page 22

Floating pickets in Dover harbour (above) yesterday try to gain the attention of a Belgian ferry, while seaman picket on the dockside (below).

Ferry contract talks falter

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LAWYERS representing British Shipbuilders and VR Shipping of Copenhagen met yesterday to try to sort out a contract dispute over an order for 24 ferries from the corporation's Sunderland subsidiary in the north-east of England.

The meeting failed to resolve the dispute, however, and British Shipbuilders said further meetings would be held shortly.

The corporation has cancelled its contract with VR Shipping for the first five ferries, which are being built by Sunderland-based North East Shipbuilding. NESL, which employs 2,400, has no other orders, and could face closure if the contract dispute is not settled.

VR Shipping claims the first two ships delivered suffered from a series of technical defects. This is disputed by British Shipbuilders, which says it built the ships to the specifications laid down by the company.

The corporation said its contract with VR Shipping includes a clause indemnifying it against any faults which develop with equipment or materials specified

Mr Peter Zacchi, the designer of the ships, said the design concept was sound.

Government to announce CEGB plan in a month

By Maurice Samuelson

THE GOVERNMENT is expected shortly to announce who will run the three private companies which will be formed from the breakup of the Central Electricity Generating Board when the electricity supply industry is privatised.

The announcement, due in about four weeks, will include the names of the chairmen and chief executives of the two companies which will share the CEGB power stations and the third company which will take over the National Grid and run it on behalf of the distribution side of the industry.

Their immediate role will be to advise and consult with Mr Cecil Parkinson, Secretary of State for Energy, as he prepares to table the privatisation legislation in the next session of Parliament in the autumn.

Lord Marshall, the CEGB chairman, is tipped to stay as chairman of the larger of the two generating concerns which will run all the CEGB's nuclear plant and more than half its coal and oil-fired plant.

An important role is also forecast for Mr John Baker, the CEGB's present corporate managing director, possibly as chief executive of G1 or G2, as the two generating companies are tentatively called.

The Government wants to emphasise the competition aspects of its privatisation policy, however, and it has also been canvassing top level candidates from outside the industry. One such could be given the chairmanship of G2.

The announcements, in which the Government could also give the three new companies their official names, will come as a relief to senior officials in the industry, who have been showing some impatience about the uncertainty surrounding their future.

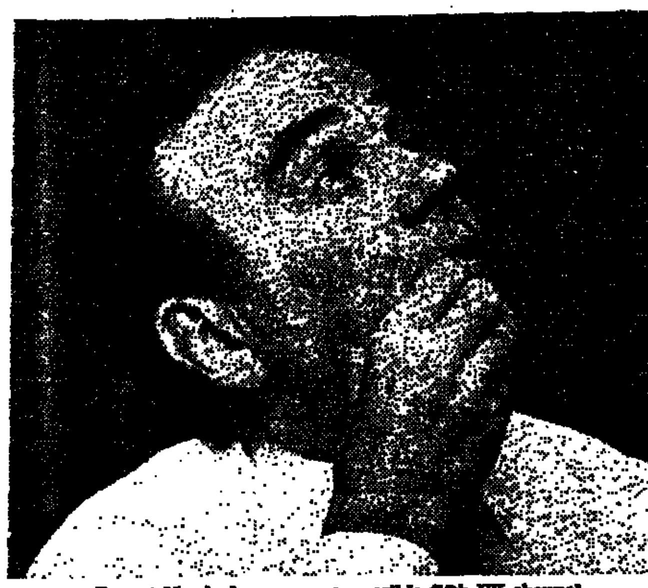
The announcements will also be welcomed in the state-owned coal industry, which is eager to start negotiating the two sets of commercial contracts which will supersede the bulk arrangement under which it supplies most of its output to the CEGB, its biggest single customer.

Special working parties in the CEGB are seeking an equitable and practicable way of dividing the coal and oil-fired plants between the two future generating bodies.

UK NEWS

Murdoch may beam Sky Channel from Isle of Man

BY RAYMOND SNODDY AND IAN HAMILTON FAZEY



Rupert Murdoch: eyes on a possible fifth UK channel

MR RUPERT MURDOCH, chairman of News International, is considering the possibility of setting up a large broadcasting centre on the Isle of Man, the island in the Irish Sea between the English west coast and Ireland, to beam a commercial television channel at mainland Britain.

The aim would be to use Mr Murdoch's general entertainment satellite channel, Sky, as the basis for the venture but erect high-power transmitters on the island to broadcast to the greater Manchester connurbation and possibly as far as Glasgow, Belfast and Dublin.

Mr Jim Styles, managing director of Sky, already available to 12m homes in Western Europe through cable networks, visited the Isle of Man last week with other News International executives for talks with senior Isle of Man ministers.

Mr Murdoch will be in London next week and is expected to decide whether to give the go-ahead for a detailed feasibility study on the plan. No work has yet been done on whether such a channel is possible in engineering terms.

News International made it clear yesterday it had no intention of becoming a pirate broadcaster and would consider going ahead with such a venture only if it was legal and had at least the acquiescence of the British Government.

The Home Office confirmed yesterday that it did not have jurisdiction over broadcasting policy on the Isle of Man, which is an independent sovereign territory. If such broadcasts were to cause interference with the existing television service, however, the British Government could make an international complaint against the Isle of Man to organisations such as the International Telecommunications Union.

An Independent Broadcasting Authority engineer said yesterday he thought such a station could reach a large stretch of the west coast of England but doubted whether it could done without causing interference.

A fifth British channel based on the Isle of Man could also pre-empt the possibility of the Government launching an official Channel 5.

Isle of Man ministers are enthusiastic about the idea and believe that the development of the electronic media there could broaden the island's present reliance on financial services.

Mr Murdoch is interested because Sky's audience is close to its ceiling in the cable television market in Europe and has still not yet broken even. The channel needs to find new audiences either by transferring to a high-power satellite or by broadcasting on normal land-based transmitters.

Mr Murdoch said earlier this year that he would like to apply for the British fifth channel if one was advertised. He did not think he had much chance of being awarded such a franchise, however, because he already owns five national newspapers in the UK. These are The Sun, The Times, the News of the World, The Sunday Times and Today.

TEST CASE VICTORY MAY PROMPT SPATE OF CLAIMS

Ex-soldier can sue over N-test

A FORMER soldier in the British army can sue the Government for damages for blood cancer he claims he contracted while serving on Christmas Island, in the Pacific, during British nuclear tests in the late 1950s, five Law Lords decided yesterday.

They dismissed an appeal in which the Defence Secretary and the Ministry of Defence claimed "Crown immunity" from any legal action by Mr Mervyn Pearce, aged 50, a former Royal Engineers lance corporal who lives at Bristol, in the west of England.

Mr Pearce's test case victory is expected to open the way for hundreds of other claims by ex-servicemen who witnessed the tests.

From December 1957 to October 1958, Mr Pearce served on Christmas Island where tests on nuclear weapons were being carried out by the United Kingdom Atomic Energy Authority.

He claims that he was exposed to dangerous levels of radiation through the UKAEA's negligence in failing to devise and carry through effective protective measures.

He says that he and fellow soldiers were allowed to swim in radioactive water after the bomb blasts and eat contaminated fruit without being warned about the dangers or being monitored for possible ill effects. Mr Pearce has been seriously ill since 1968.

Lord Brandon said the main question was whether the Defence Secretary and Defence Ministry were entitled to rely on Section 10 of the 1947 Crown Proceedings Act as a complete defence to Mr Pearce's damages claim.

The section barred members of the Armed Forces from suing their employers for negligence. It was repealed in December 1986 - too late to help people such as Mr Pearce, who were obliged to ask the courts to rule whether they could sue.

Lord Brandon said that in the early 1970s part of the UKAEA's business was transferred to British Nuclear Fuels. Its weapons group's activities – together with property, rights, liabilities and obligations – were taken over by the Defence Secretary under the 1973 Atomic Energy Authority (Weapons Group) Act.

Lord Brandon said he could see no good reason for interpreting the transfer provisions so as to give them the "unusual and drastic effect" contended for by the Defence Secretary and the ministry.

European Court to rule on fish dispute

FINANCIAL TIMES REPORTER

THE COURT of Appeal in London yesterday asked the European Court of Justice for help in deciding a test case of vital importance to the British fishing industry.

Directly at stake is about £80,000 to which fishing boat owners at Grimsby and Hull, on the east coast of England, became entitled under a High Court ruling last June in compensation for fish withdrawn from the market place under European Community regulations.

Three appeal judges, giving judgment today on an appeal by the Intervention Board for Agricultural Produce, which operates the compensation scheme in Britain, held that there was clearly an arguable question about interpretation of Community regulations.

Lawyers were given a week to draft "clear, succinct and comprehensive questions" for submission to the European Court.

The case was brought by the Fish Producers Organisation, which was set up for trawler owners at Grimsby and Hull, and the Grimsby Fish Producers' Organisation, for owners of inshore and seiner vessels registered at Grimsby.

Under regulations designed to ensure a fair standard of living for fishermen and the stabilisation of markets, producers' organisations are allowed to fix, for each specified fish product, a withdrawal price below which they will not sell.

Fish lots which will not fetch the minimum price are examined by ministry inspectors to ensure they meet the relevant grading criteria and a withdrawal certificate is issued.

The fish is then sprayed with a dye to prevent human consumption and used for fish meal.

In the present case, the Intervention Board refused to pay compensation for some catches, even though withdrawal certificates had been issued, because it felt that grading standards in relation to other catches were suspect.

Last June Mr Justice Macpherson ruled that the board could not make a blanket refusal of compensation because of general dissatisfaction over the way the scheme was operated in Grimsby and Hull.

Lord Justice Bingham said yesterday that the court wanted a ruling from Europe on whether a producers' organisation was entitled to claim compensation for properly graded fish withdrawn at the EC withdrawal price if the organisation had failed to comply with EC standards for other fish of that species put up for sale during the same period.

The question was of importance because, while non-compliance in the present case was substantial, the law, once declared, might govern other cases of less significant non-compliance, he said.

Lord Justice Bingham, sitting with Lords Justice Purchas and Staughton, said each side in the dispute claimed its interpretation of EC regulations was obviously right, but their interpretations were "diametrically opposed."

"We see considerable force in both arguments. We do not think either is obviously right. There is no previous Community decision on the question," he said.

Longer pub hours may be in place by summer

BY LISA WOOD

BRITAIN'S PUBS will be open for up to 12 hours a day and for an hour more than at present on Sundays under new licensing laws which are expected to come into effect by early summer.

The Licensing Bill, amendments to which were discussed in the House of Commons on Wednesday, will go for the Royal Assent later this Parliamentary session. Royal Assent marks the passage of a bill into law.

The Home Office said it could give no timetable for the legislation's introduction. It is understood, however, that after receiving Royal Assent the provisions will be implemented as fast as possible so pubs can stay open longer in summer when tourism is at its height.

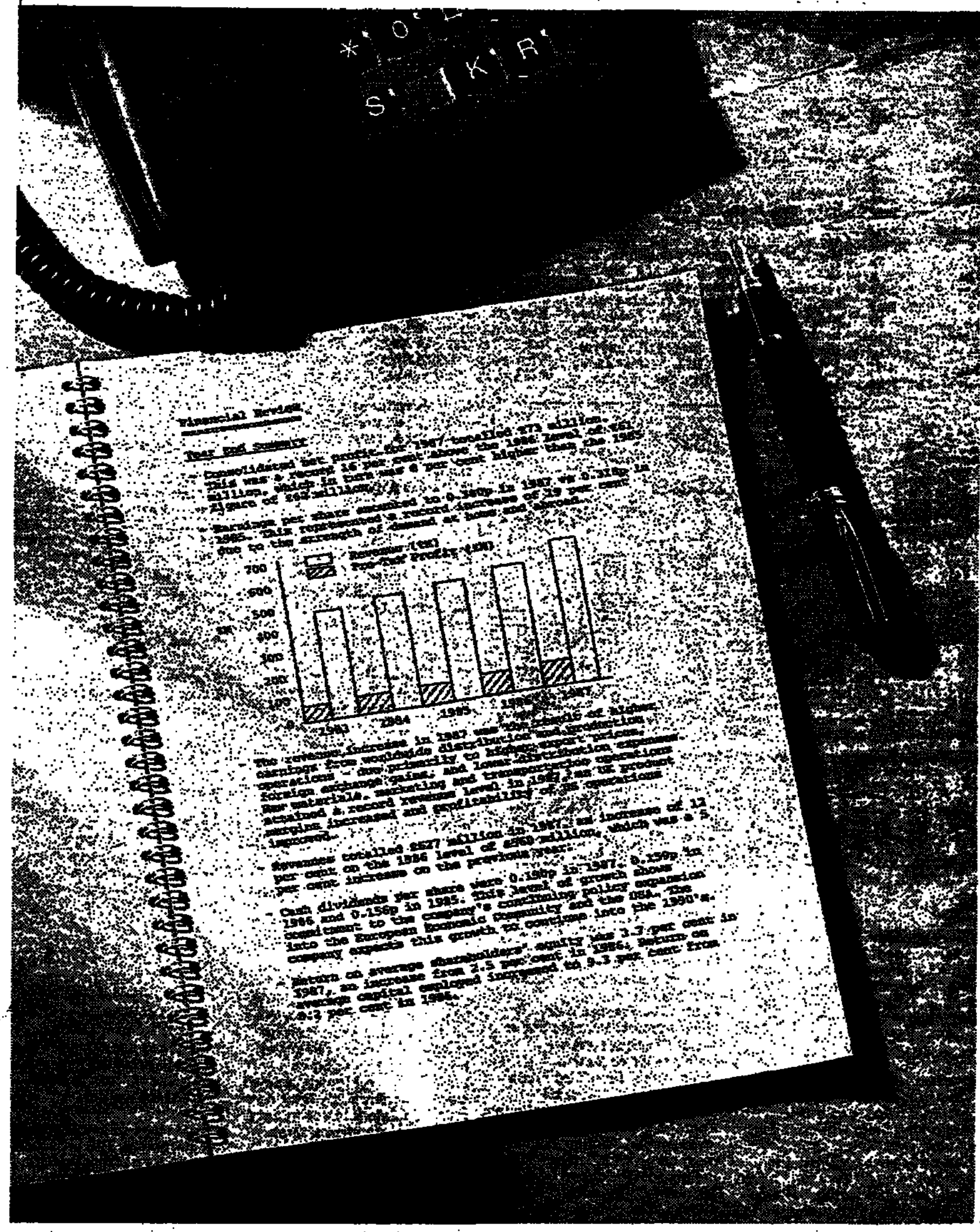
The bill will not go for the Royal Assent until a new clause is debated in the House of Lords which would restrict off-licence (retail) sales of alcohol to garages already holding a licence.

The Government originally did not propose that the Licensing Bill should extend drinking hours on Sundays. This was mainly because it feared stirring up opposition to the bill from bodies including those which successfully contested Government plans for changes to Sunday trading legislation.

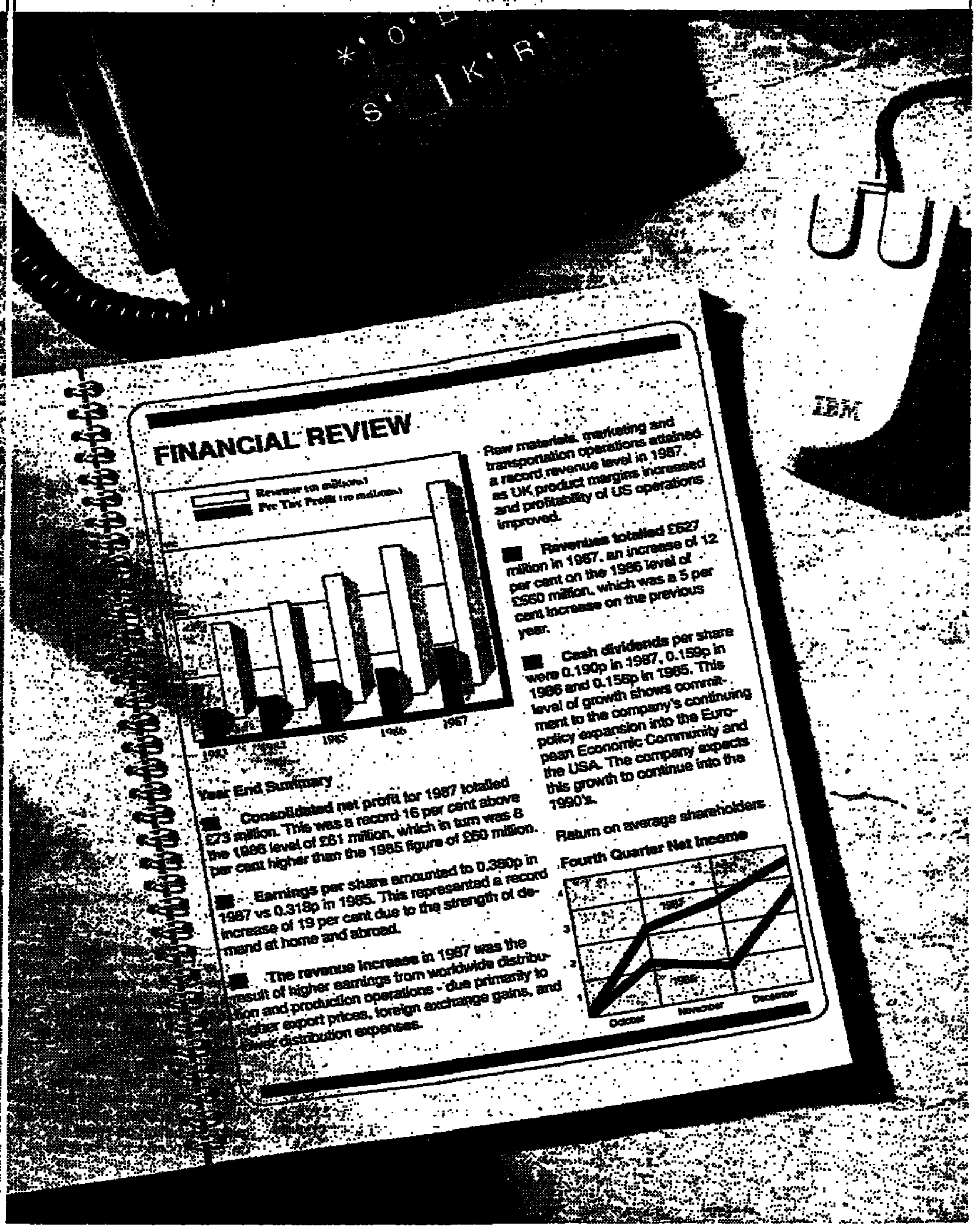
An opposition Labour Party amendment to the bill to introduce an extra hour's drinking on Sunda was carried in the Lords after a Conservative error in procedure. Pubs will now be able to stay open from noon until 3pm.

Opposition to an extra hour's drinking time on Sunday appears to be muted.

DEPARTMENTAL REPORT MAY 8TH.



DEPARTMENTAL REPORT MAY 9TH.



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UK NEWS — THE FINANCIAL SERVICES ACT

Clive Wolman introduces the City's new legal structure

THE new investor protection framework, the bulk of which comes into force today, is the culmination of seven years of inquiries, consultations, report writing, lobbying, legislation and rule-making.

The outcome is a set of regulatory reforms far more radical than has ever been attempted in any other industrialised country, at least in one go. Even the Securities and Exchange Commission in the US was assigned a much more limited role when it was established in 1934 than its approximate UK counterpart today, the Securities and Investments Board. The SEC's powers expanded only gradually over subsequent decades.

The outcome is also far more radical than anyone in the City or Whitehall envisaged when Professor Jim Gower, the Trade and Industry Department's company law specialist, embarked on his report into investor protection in 1981 at the Government's request. That includes even Professor Gower himself, although he insisted at an early stage on interpreting his brief in the broadest possible terms, going well beyond the fringe dealers in commodities and securities on which the Stock Exchange and most of the City hoped he would focus his attention.

Apart from the Stock Exchange, the most important industry to be caught in the ever-expanding regulatory net was life insurance. It had been attempting to claim to the regulators, although never to its customers, that its primary concern was with insurance rather than investment.

In fact the proposals made by Gower and originally backed by the Government in 1985 would have sanctioned most of the existing practices of the insurance industry. Only in the last few days, after 18 months of chipping away, has the Government imposed radical changes on the insurance industry. As a result, insurance and the related industry of personal financial planners and consultants will be subject to a greater upheaval than any other financial service.

An inevitable consequence of the unexpected comprehensiveness and toughness of the new regime is that its introduction has taken much longer than anyone anticipated. In 1981, changes were expected to be introduced in 1983. In 1983, the date was rescheduled for 1985. In 1985, when the Financial Services Bill finally appeared in December, the date was set for early 1987. Now on April 29 1988, only about two-thirds of the new regulatory structure is taking effect. The outstanding parts will come into force only over the next eight months whilst the disclosure of life insurance commissions and, probably, charges will not take effect until January 1990.

Despite the delays, most of the five new self-regulating organisations have had a frantic rush to set up their systems and rulebooks and to vet and authorise as many firms as possible before today's deadline. The firms themselves have had similar difficulties in redesigning their own computer systems and training their staff in time for the deadline. Undoubtedly, many of the more technical rules will be breached inadvertently dozens, if not hundreds of times over in the first few months.

The scale of the changes being imposed dawned only slowly on most City firms. Their outraged protests against the complexity and severity of the new regulations reached their peak during last autumn and winter, culminating on February 27, the deadline by which firms had to apply for authorisation under the new regime.

That was also the date on which the Government announced that Sir Kenneth Berrill's term of office as SIB chairman and chief regulator would be ended in May. Sir Kenneth, who perhaps unfairly had become the symbol of the alleged oppressiveness of the new regime, is being replaced by the Bank of England director, Mr David Walker.

He is under pressure to scale back and to simplify the regulatory structure. The pressure comes both from the Trade and Industry Department, which has suddenly become more anti-interventionist since Lord Young took over as Secretary of State after last year's elections, and the Bank. It has been attempting quietly to reassert its influence over City regulation, not least because of the complaints from its own constituents, the clearing and merchant banks. Unless the City is affected by further, more far-reaching scandals than those which have emerged over the last 18 months, a series of small, incremental reforms extending over a few years in the direction of liberalisation is the most likely outcome.

THE TIMETABLE

April 29

Authorisation. It becomes a criminal offence to carry on investment business without appropriate authorisation from a self-regulatory organisation (SRO), the Securities and Investments Board (SIB), or one of the recognised professional bodies (RPBs). Firms which applied for authorisation by February 27 but have yet to get it may continue to operate under "interim authorisation".

Conduct of business. Basic rules designed to improve the quality of advice come into force. These principles include:
Know your customer. Investment businesses must take "reasonable steps" to find out about their client's personal financial circumstances. The choice of investment must suit the client's circumstances and requirements.
Best advice. This involves giving advice which, in the context, is the most suitable for the client.
Best execution. This means effecting a transaction for a client at the best terms available in the market at the time.
Clients' understanding of risk. Investment businesses must satisfy themselves that their clients understand the full risks they are taking. Like several other of these basic rules, this does not apply to clients for whom the business is only executing transactions, rather than giving advice.
Disclosure. Firms must reveal the basis on which they will be paid. There will not be complete transparency: the amount of commission paid in relation to a life policy does not need to be disclosed unless the information is requested. Commission arrangements do not need to be disclosed until July 1.
Conflicts of interest. These should not exist: if they do, they must be disclosed.
Basic capital requirement. Investment businesses must meet varying capital adequacy rules — the greater the risk involved, the higher the capital.
Position risk requirement. Businesses dealing in securities must be able to determine their exposure to particular classes of investment, and must have adequate capital to back those exposures.
Segregation of free client money. Client's uninvested cash must be held in separate accounts, and clients should receive interest on it. Similarly, margins put up by clients in respect of transactions such as futures should also be segregated (see October 1).
Complaints. Firms must have procedures in place to deal with complaints promptly, and must advise aggrieved clients of their rights to appeal to the authorities.
Records rules. Firms must keep records of advertisements, transactions, complaints, etc.
Polarisation. Investment businesses must act either as independent advisers or salesmen for particular products: they cannot do both. This rigid division is blurred somewhat by the existence of independent advisory companies within, eg, banks which otherwise act as salesmen for their own range of products.
Customer agreements. Agreements with existing clients do not need to be redrawn until July 1. New customers, on the other hand, should receive modified agreements. "Existing customers" are people with whom a firm has done business at some time since May 1 1986.
Disciplinary procedures. Each organisation has its own disciplinary scheme for use against members, with sanctions ranging from a private reprimand to termination of membership.
Section 57 and adverts. Advertisements for investment businesses must be approved by an authorised person before they are issued. Also, adverts must not be "misleading".
Adverts in daily or weekly newspapers and on television and radio subject to a range of rules governing their content. Further requirements will be introduced in stages.
"Off-the-page" adverts. These adverts, which enable an investor to enter an agreement simply by following a procedure described in the advert, may continue in their present form, provided they are lawful.
Cold calling. Certain products, such as life policies and pensions, may be sold this way, but are subject to strict rules about when and how the call is made. Unit trusts may not be sold by unsolicited means until 1 July.
Section 47 (2) and stabilisation. The section outlaws misleading statements and practices aimed at market manipulation, including ramping up price by selective buying. However, in some circumstances, "stabilising" the price of a share or bond (for example, just after a new issue) remains permissible. Some amendments to the stabilisation rules will be announced early next week.
New unit trust authorisation. All new unit trusts will require authorisation from the SIB. For existing schemes, see July 1.
Auditors of investment businesses. They are now required to report behind their clients' backs to regulators if they are concerned and cannot persuade the client to approach the regulator.

July 1

Client agreements and business letters issued. These lay down the relationship between client and investment business. They outline, for instance, what the business is authorised to do and the basis on which it charges for its services.
Disclosure of regulator. Firms have to identify on all documentation who has authorised them within 30 days of their receiving authorisation. Later this year, they will be obliged to say if they only have "interim authorisation" — that is, they applied for authorisation by February 27, as required, but have not had their application approved yet.
Cancellation rules. These give clients the right the cancel insurance policies, and also to cancel unit trust purchases which are made as a result of a cold call. Unit trusts may not be sold by cold calling until this date.
Compliance manual. This is an investment business's internal rule book, setting out its procedures for complying with the Act.
Forecasts. Forecasts or illustrations of benefits under life assurance, pension contracts or collective investments cannot be made in isolation, but must be accompanied by a full statement from the supplier of the investment. Likewise, clients must be given full details about the product produced by the supplier, rather than summarised details.
Product bias. Investment businesses must not pay commissions or other inducements which would encourage others to abandon the principles of best advice or best execution.
Commissions or commission agreements. These must now be disclosed.
Administration regulations for existing unit trusts. New regulations, to be published shortly, come into force for existing unit trusts. (New unit trusts are covered from April 29.)

August 1

1st stage of counterparty risk requirement. Investment businesses must carry adequate capital to protect themselves from default. This rule comes in in stages: on 1st August, businesses must have 25 per cent of the required capital.

August 27

Compensation scheme. Investors are covered for the first £30,000 of any loss, and 90 per cent of next £20,000. This is a provisional date only: scheme intended to come into force six months after "P" day (Feb 27).

September 1

Capital requirements vis-a-vis branches. The SIB hopes to set up a system under which the capital adequacy of financial businesses operating as branches of foreign companies can be monitored by their home state regulators in accordance with the home state's rules.
Section 57 and adverts. Full rules in force by this date.

October 3

Right to sue. Section 62 of the Act gives the right to sue for losses incurred as a result of breaches of an SRO's rule book. This section is blamed by practitioners for much of the detail and protective legal wording of rule books and client agreements.
2nd stage of counterparty risk. Capital rule stepped up to 50 per cent.
Full client money system. All client money must now be held separately from the firm's own cash. Until now, for instance, funds put up by a firm to "top up" a client's margins in futures contracts have not had to be held separately.

November 1

Customer agreement signing rules. Clients must have signed and returned their agreements by this date. If not, investment businesses may no longer act for them.
Full confirmation note contents. Notes that financial businesses send their customers to confirm transactions must contain specified information.
Off-market trade reporting. Traders must report deals that are not done on a Recognised Investment Exchange.

January 1 1989

Capital undertakings lapse. Until the end of 1988, businesses without sufficient capital resources can continue to operate provided they supply guarantees from banks or parent companies.
Final stage of counterparty risk requirement. The phasing-in of capital backing against market risk is completed.

January 1 1990

Insurance companies commissions agreement ends. *Insurance brokers and independent intermediaries must disclose the commissions they are being paid.*

Richard Waters

THE REGULATORY BODIES

- Securities and Investments Board, 3 Royal Exchange, London EC3V 3NL; Tel: 01-283 2474
- Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA), 22 Great Tower Street, London EC3R 5AQ; Tel: 01-929 2711
- The Securities Association, Old Broad Street, London EC2N 1SP; Tel: 01-256 9000
- Association of Futures Brokers and Dealers, 5th Floor, B Section, Plantation House, 4-16 Mincing Lane, London EC3M 3DX; Tel: 01-626 9763
- Investment Managers Regulatory Organisation, Centrepoint, 103 New Oxford Street, London WC1A 1QH; Tel: 01-379 0601
- Life Assurance and Unit Trust Regulatory Organisation, Centrepoint, 103 New Oxford Street, London WC1A 1DU; Tel 01-379 0444
- Institute of Chartered Accountants in England and Wales, Chartered Accountants Hall, Moorgate Place, London EC2P 2BJ; Tel: 01-628 7060
- Chartered Association of Certified Accountants, 29 Lincolns Inn Fields, London WC2A 3EE; Tel: 01-242 6855
- Law Society, Law Society's Hall, 113 Chancery Lane, London WC2A 1PL; Tel: 01-242 1222
- Law Society of Scotland, Law Society of Scotland's Hall, Rutland Exchange, PO 1, 26 Drumsheugh Gardens, Edinburgh GH3 7YR; Tel: 031-226 7411
- Institute of Actuaries, Staple Inn Hall, High Holborn, London WC1V 7QJ; Tel: 01-242 0106
- Insurance Brokers Registration Council, 15 St Helen's Place, London EC3; Tel: 01-588 4387

One lawyer's concerns about the Act

There is little doubt that investors will be far better protected from today, as the Financial Services Act comes into force. However, the fuzziness of the key definitions is unacceptable to trader and adviser alike.

Even now there is continuing uncertainty among City lawyers — let alone market professionals — as to precisely what activities are regulated by the Act. Furthermore the catch-all definitions of "investments" and "investment business" have resulted in the Act controlling some activities which have nothing at all to do with the securities industry.

The Government has in effect admitted that parts of the Act are unclear, while others may not mean what they were meant to mean.

There are still many areas of doubt. No one can say for certain what debentures are caught by the Act, nor what the activity of "managing" actually comprises, yet these are definitions on which both civil and criminal liability will turn.

Schedule 1 of the Act, which contains the key definitions, has already been amended several times. It is particularly unsatisfactory for these alterations to be made after the last date that investment businesses can obtain provisional authorisation.

For example, the exclusion for investment business performed in conjunction with the supply of goods or services has been withdrawn where the customer is an individual, or the investment business relates to life assurance or unit trusts. This may affect the position of some banks and financial institutions which lend against the security of such investments. The definition of "collective investment scheme" will also have been altered twice before A-Day, and a statutory instrument dealing with the difficult question of whether "mere introducers" are caught by the Act is expected shortly.

Not only is the Act continually evolving, the rule books of the SIB and the recognised self-regulatory organisations (SROs) are still incomplete. The SIB rule-book, the lodestar of the SROs' rules, evolves almost daily. As in Through the Looking Glass, it takes all the running you can do to keep in the same place. SIB has just published the 10th Release of Amendments and Additions. Recent proposals include alterations to customer agreements, additional prohibitions on cold calling and clarification on the business which overseas branches can carry on in the United Kingdom.

Yet, for all these complaints, the one really surprising feature is perhaps that we have managed to get this far at all. Now that the Act is in force, investment businesses must be aware that the Act is evolving and the rule books continuing to change. It is important to keep abreast of the flood of paper, and to ensure that internal regulations and compliance procedures are sufficiently flexible to adapt to these alterations.

Simon Morris

The author is a partner-elect in Cameron Markby, a City law firm.

FT LAW REPORTS

Drugs Act Mareva prevents lump sum school fee payment

RE PETERS
Court of Appeal
(Lord Donaldson, Master of the Rolls, Lord Justice Nourse and Lord Justice Mann): April 4 1988

AN ORDER restraining an accused from dealing with his assets pending trial for drug-trafficking offences cannot be varied to enable him to pay out a lump sum for future liabilities if such payment might reduce his assets to below the amount required to meet an order confiscating his drug-trafficking proceeds should he be found guilty.

The Court of Appeal so held when allowing an appeal by HM Customs from Mr Justice McNeill's variation of an order restraining Mr E. Peters from dealing with his assets pending his prosecution for drug-trafficking offences. The respondent to the appeal was Mr Peter's son, by his grandmother.

Section 8 of the Drug Trafficking Act 1986 provides: "(1)The High Court may ... prohibit any person from dealing with any realisable property ... (5)A restraint order may be discharged or varied."

Section 13: "(2) ... The [court's] powers shall be exercised with a view to making [any realisable property] available for satisfying ... any confiscation order that may be made ..."

RSC Order 115 rule 4(1):"A restraint order may be made subject to ... exceptions including ... exceptions relating to living ... and legal expenses."

LORD DONALDSON MR said that Mr Peters was arrested in France in 1981 and convicted of illegal possession and importation of cocaine. He was fined and sentenced to five years imprisonment.

He was released in February 1984. Two months later Mrs Peters filed for divorce. In September Mr Peters cross-petitioned. The matrimonial house was sold, and the proceeds were divided equally between Mr and Mrs Peters.

Their son was sent to boarding school. Pending hearing of the divorce petitions, Mr Peters made payments covering the cost of his education and maintenance.

In May 1986 the marriage was dissolved. The parties were given joint custody of the son, who was to live with Mrs Peters. The decree was made absolute in June 1986. No order was made at that stage regarding the son's education and maintenance, but Mr Peters continued to meet the expense.

On July 10 1987 Mr Peters was arrested in the UK on drug-trafficking charges. On July 31 HM Customs and Excise obtained an ex parte order under section 8 of the Drug Trafficking Act 1986 restraining him generally from dealing with his assets within or outside the jurisdiction.

The legislative intention of the Act was that no one convicted of drug trafficking offences should be allowed to retain any part of the proceeds of his crime. The broad scheme of the Act involved the making of confiscation orders at the time of sentencing, and the making of prior protective orders.

On November 26 1987 Mr Justice Nolan varied the restraint order to enable Mr Peters to pay £2,200 per term for school fees, £300 per term for miscellaneous expenses connected with his son's education, £200 for clothes and £500 for legal fees.

On January 27 1988 the divorce court made a consent order for payment by Mr Peters of a £25,000 lump sum to the son "in settlement of the claim on behalf of the child ... for periodical payments."

On March 23 1988 Mr Justice McNeill made a further variation of the restraint order, permitting payment of the £25,000 to Mrs Peters's solicitors, to be held until a trust deed had been drawn up for the son's maintenance and education.

At that time Mr Peters's assets were valued at £95,000. The Customs and Excise assessed his proceeds from drug trafficking at about £540,000. The variation order was stayed to enable the present appeal to be brought.

When Mr Justice McNeill made the order, Mr Peters was still entitled to claim that he might never be convicted. He was convicted of some drug-trafficking offences the following day, and of others two days later. He might still be entitled to contend that the conviction could be quashed on appeal.

The present position was that when Mr Peters was sentenced, the restraining order would be discharged and the Crown Court would be required to make a confiscation order. If that left Mr Peters with any assets he would hold them free from restraint.

However, the Crown Court could not assess the appropriate amount of any confiscation order until it knew the extent of Mr Peters's assets. That in turn depended on whether Mr Justice McNeill's order was affirmed, set aside or varied on the present appeal. The Crown Court had therefore deferred sentence, and the restraint order continued in force.

Looking at the matter from Mr Peters's point of view, nothing could have been more sensible than to try to insulate his son from the consequences of a possible confiscation order, if that could be lawfully achieved.

That did not, however, answer the question with which the appeal was concerned, which was whether Mr Justice McNeill should have varied the restraint order to give effect to the divorce court's order.

Section 13(2) of the Act provided that the court's powers should be exercised "with a view to ... satisfying ... any confiscation order that may be made."

Mr Laws for the Customs and Excise pointed out that a court faced with the making or variation of a restraint order, was concerned solely with the preservation of assets at a time when it could not know whether the accused would or would not be convicted.

Such a jurisdiction was closely analogous to that exercised in relation to Mareva injunctions and might be referred to as a "Drugs Act Mareva".

Under the Mareva jurisdiction the interests of the potential judgment creditor had to be balanced against those of actual creditors, and of the defendant. The defendant might succeed in the action and should be fettered in dealing with his property to the least possible extent necessary to ensure that the processes of justice were not frustrated.

Section 13(2) was consistent with such a purpose, subject to taking account of the fact that the accused might be acquitted and that, unlike the Mareva injunction, there was no counter-undertaking in damages.

The exercise of the power to vary the restraint order by Mr Justice Nolan was entirely consistent with that purpose. Mr Peters, as an unconvicted accused person who might be acquitted, was entitled to ask that his son's education should not be interrupted, that he himself should be properly clothed, and that he should be able to pay for the cost of his defence.

But the anticipatory discharge of liabilities which could be expected to arise only after Mr Peters had either been acquitted, or after he had been convicted and his property made subject to a confiscation order, was quite another matter, and was wholly contrary to section 13(2) – and to the underlying purpose of the protective provisions of the Act.

Mr Peters had assets, but they were not available assets, and the divorce registrar should have expressly provided in his order that it was only to take effect if and when the restraint order was discharged or varied to such an extent as would permit satisfaction of his order. He might not have been informed of the position.

The appeal should be allowed and Mr Justice McNeill's order set aside.

LORD JUSTICE NOURSE agreeing, said it would not be correct practice in granting Mareva injunctions, to allow children's school fees to be capitalised if payment might reduce the assets below the amount required to meet a final judgment. Everything would point to their being paid term by term. Similarly, there being no unusual circumstances in the present case, it was not correct for Mr Justice McNeill to vary Mr Justice Nolan's order so as to allow Mr Peters to make a lump sum payment by way of capitalisation of school fees.

LORD JUSTICE MANN also agreeing, said that a restraint order did not prevent the meeting of ordinary and reasonable expenditure. Having regard to the provisions of section 13(2) capitalisation of future expenditure could not be permissible.

For the appellants: John Laws (Solicitor, HM Customs & Excise)
For the son: Michael Horowitz (Boscoe-Phillips)

Rachel Davies
Barrister

APPOINTMENTS

National Freight Consortium group managing director

NATIONAL FREIGHT CONSORTIUM has appointed Mr Jim Gillies as group managing director, special services group, and a member of the executive board. He succeeds Mr Clive Beattie who left the company last December. Mr Gillies joins from Littlewoods where he was director - operations and customer services.

★

The Charity Commissioners for England and Wales have appointed Mr John D. Webster a trustee of THE CHARITIES OFFICIAL INVESTMENT AND DEPOSIT FUNDS. He is a director and general manager (investment) of Sun Life Assurance Society.

★

Sir Reginald Eyre has been appointed deputy chairman of the COMMISSION FOR THE NEW TOWNS, succeeding Mr Arthur Jones who has retired. Sir Reginald will also serve on the Commission's property committee.

★

MERLIN INTERNATIONAL PROPERTIES (UK) has made the following appointments: Mr Peter Jevans, formerly managing director, has become chairman and chief executive, and Mr Graham Jury, previously with Towngrade Securities, has been appointed managing director. Mr Keith Hainsworth joins as development director: he was managing director of Miller Buckley Properties. Mr Andrew Thomas is made marketing and retail director: he was a partner in fashion group Oasis Trading. Mr Allan Monk becomes construction director; He was a director of Peel Investments. Mr Reg Ward, former chief executive of the London Docklands Corporation, is consultant on Inner City revitalisation projects. Mr Tom Hayson, deputy chairman of the holding company, continues as non-executive president.

★

Mr Graham Bibby has been appointed financial director of the newly-formed BROMPTON GROUP. He was head of income and costs with the Post office. The Brompton Group is part of Lowe Howard-Spink & Bell.

★

GARTMORE has appointed Mr Anthony Myers as a managing director of its Gartmore Money Funds operation, formerly known as SIMCO. Mr Myers, who previously led Gartmore's Capital Strategy Fund offshore umbrella fund in Jersey, joins Gartmore Money Management as joint managing director with Mr Ron Jones who retires later this year. Mr Myers has also been appointed chairman of Gartmore Fund Managers international, managers in Jersey of Capital Strategy Fund. He joined the group in 1985.

★

POLLY PECK INTERNATIONAL has appointed Mr David Marks as operations and development manager of the newly-created leisure division. He will co-ordinate activities in Turkey, where a Pizza Hut restaurant is soon to be opened in Istanbul. He was a sales manager for Sheraton Hotels.

★

LRT finance director

Mr Michael Marsh has taken up his appointment as executive board member for finance of LONDON REGIONAL TRANSPORT. He was finance director of House of Fraser Holdings.

★

Mr Robin Sandberg has been appointed chairman and Mr Stephen Waterer managing director of TSBW.

★

Mr Brian Carter, who retires from Barclays de Zoete Wedd on April 30, will be joining UNION DISCOUNT ASSET MANAGEMENT as a director in June.

★

THE BRITISH PRECAST CONCRETE FEDERATION has elected Mr David Trapnell, of Marley Tiles, as president.

★

Mr Peter Nicholson has been appointed chairman of the Salisbury regional board of LLOYDS BANK. He succeeds Mr Douglas Smith who has retired. Mr Nicholson is an executive director of Crest Nicholson, and a non-executive director of West Industries, Bremhill Industries, Bowring Rose, and other private companies

★

FIDELITY INTERNATIONAL has appointed Mr Paul Forsyth as managing director of Fidelity International (C.I.) in Jersey, a new post. He was business development director for Fidelity's international business division.

★

Mr A.G. Mark Loveday will be retiring as active underwriter of Marine Syndicate 573/579 in October. Subject to the approval of the committee of Lloyd's, he will be succeeded by Mr F. Gale Coles, at present senior deputy underwriter.

★

Mr Roy Watts, chairman of Thames water, has been appointed chairman of LOWNDES LAMBERT GROUP HOLDINGS, a company formed following a management buyout from Hill Samuel Group. He is also chairman of Armstrong Equipment, and deputy chairman of Brymon Airways.

★

Mr Christopher Stone has been appointed general manager of CRANEHEATH SECURITIES, a wholly-owned subsidiary of S. & W. Berisford, from May 1, following the retirement of Mr E.C. Glennie.

★

Mr E.V. Finn is to be chairman of council of the ROYAL SOCIETY OF HEALTH.

★

Mr Tom O'Malley, who recently retired as managing director of Club 24 and a director of Next, has been appoinyted a director of HITACHI CREDIT (UK).

Secretary of Coutts & Co.

Mr Christopher M. Horne, an associate director of COUTTS & CO., becomes secretary of the bank on May 1. He succeeds Mr Philip M. Dinsey who is retiring. Mr Ronald Winford, an associate director, is also retiring.

★

Mr John W. Cutts has been appointed a managing director of EBC AMRO BANK, wholly-owned UK merchant bank of the Amsterdam-Rotterdam Bank. He will have specific responsibility for the special equity and merger group, which provides corporate finance advice, particularly in European cross-border mergers and acquisitions. He joined the bank in Amsterdam in 1981, and was an executive director.

★

GROSVENOR DEVELOPMENTS, development arm of The Grosvenor Estate, has formed two subsidiaries, Grosvenor Developments (England), and Grosvenor Investment Management. Mr John Walshe has been appointed chairman of the first and chairman and managing director of the second. Mr Dick de Broekert becomes managing director of the first company, and Mr Peter Knight and Mr Charles Firth are appointed directors. Mr Howard Waters and Mr Leslie Brooks become directors of the second company.

★

Mr Thomas Bennie, a joint general manager at head office of the BANK OF SCOTLAND, will assume overall responsibility for the international division in addition to his present duties from May 16. Mr Gordon McQueen, an assistant general manager, international division, has been appointed divisional general manager from May 3. Mr Ian Logie, an assistant general manager, branch administration, west area, has been appointed assistant general manager, international, from May 3. Mr Thomas Borthwick, a chief manager, international division, has been appointed an assistant general manager from May 3.

★

Mr Anthony S. Hopkins deputy chief executive of the INDUSTRIAL DEVELOPMENT BOARD FOR NORTHERN IRELAND becomes chief executive from June 1, succeeding Mr John McAllister who is leaving for a post in the private sector.

★

Mr Michael Basso and Mr David Mond have been appointed directors of the HONORBILT GROUP.

★

TORONTO DOMINION BANK, London, has appointed Mr Hugh W. Rising as vice president, corporate banking. He was general manager, corporate accounts, in the bank's New York office. Mr Rising succeeds Mr A. Douglas King who is returning to the bank's head office in Toronto as a senior vice president in the treasury and investment banking division.

★

Mr Alan Brooker has succeeded Mr R.A. Marler as chairman of KODE INTERNATIONAL.

★

MAXWELL COMMUNICATION CORPORATION has appointed Mr Ian Maxwell and Mr Kevin Maxwell as joint managing directors.

ARROW VENTURES N.V.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 20, 1988.

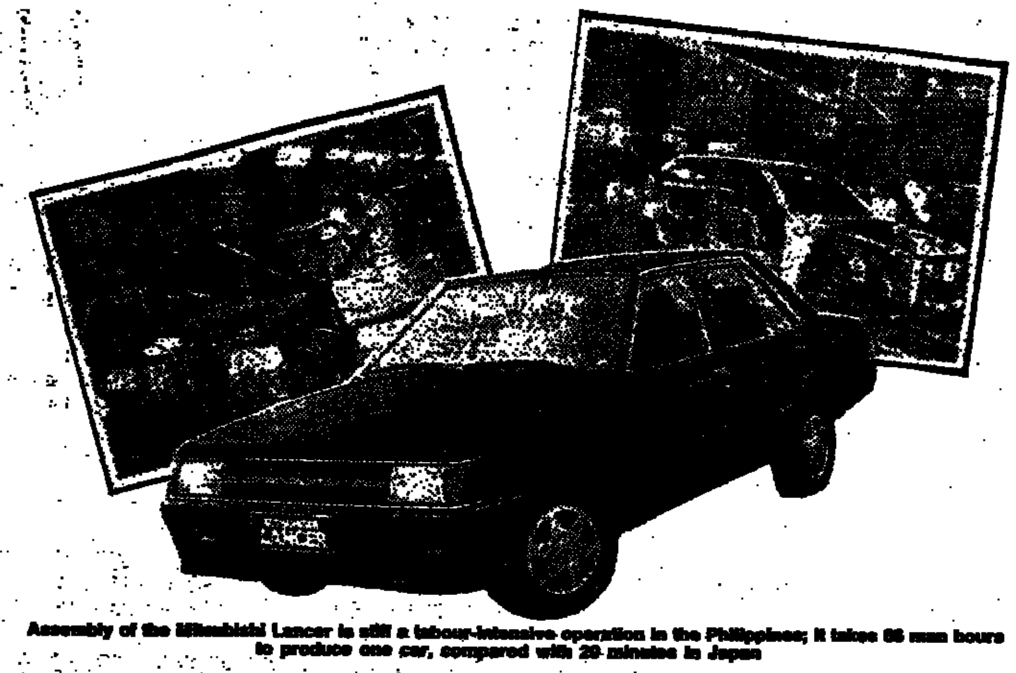
Notice is hereby given that the Annual General Meeting of Shareholders of our company will be held at our offices at 6 John B. Gorsiraweg, Curaçao, Netherlands Antilles on May 20, 1988 at four o'clock in the afternoon, for the following purposes:

1. To waive certain provisions of the Articles of Incorporation of the Company with regard to the holding of the Annual Meeting of Shareholders within 200 days after the end of the financial year and to consider this meeting as the duly held annual meeting for the years ended September 30, 1986 and September 30, 1987.
2. To receive the reports of the Managing Director on the progress of business of the Company during the fiscal years ended September 30, 1986 and September 30, 1987.
3. To approve and adopt the audited balance sheets and profit and loss accounts of the Company for the fiscal years ended September 30, 1986 and September 30, 1987.
4. To re-elect CARIBBEAN MANAGEMENT COMPANY N.V. as Managing Director of the Company for the period expiring on the following Annual General Meeting of Shareholders.
5. To re-elect the members of the Board of Supervisory Directors of the Company for the period expiring on the following Annual General Meeting of Shareholders.
6. To approve the remuneration of the Managing Director and the members of the Board of Supervisory Directors for the fiscal years ended September 30, 1986 and September 30, 1987.
7. To ratify, confirm and approve the acts of the Managing Director and the members of the Board of Supervisory Directors during the fiscal years ended September 30, 1986 and September 30, 1987.
8. To re-appoint MESSRS. COOPERS & LYBRAND, Curaçao as the independent auditors of the Company for the ensuing year.
9. To transact any other business which may lawfully arise at the meeting.

Copies of the audited balance sheet and profit and loss account may be obtained by all shareholders from the offices of the Company as well as from the offices of its sponsoring banks.

Shareholders shall be entitled to vote at the meeting in person or by proxy.

ARROW VENTURES N.V.
By Caribbean Management Company N.V.
Managing Director.



Assembly of the Mitsubishi Lancer is still a labour-intensive operation in the Philippines; it takes 66 man hours to produce one car, compared with 20 minutes in Japan

The mango route to car manufacture

Richard Gourlay explains how Mitsubishi's assembly facility in the Philippines copes with problems peculiar to the country

SHINJI ENDO has a varied life in the Philippines. When he is not marketing Mitsubishi cars and trucks, he is exporting octopuses and mangoes to Japan.

Endo represents Nissho Iwai, the Japanese trading company which, with Mitsubishi Motor Corp, assembles cars from completely knocked down (CKD) kits for sale in the Philippines.

The unusual range of exports was forced on the company, Philippine Automotive Manufacturing Corp (PAMCOR), when the local economy collapsed in 1984 and the government told car assemblers to earn their own foreign currency in order to pay for the imported kits.

It has made foraging for dollars, from the export of almost anything, one of Endo's biggest headaches. "I have no problem with the level of demand for cars now," says Endo, "but the industry cannot keep up with demand because of the dollar earning rule."

The Philippine car industry is no giant and is unlikely to be one in the foreseeable future. In the good times, like now, the country's two assemblers (the other is Nissan) are producing only 800 cars a month.

And it takes a sedate 66 man-hours before a car emerges in the Philippines, whereas robots and men pop one out every 20 minutes in Japan.

It does, however, provide examples of the peculiar problems faced by companies operating in the Third World.

About 70 per cent of the cost of making a Mitsubishi "Lancer" in the Philippines, for example, is the imported CKD kit. Similar figures apply to Pilipinas Nissan, the other assembler in the government's Car Development Programme, and it is likely to be the same for Toyota Motor Corp when it rejoins the programme next year.

Initially the assemblers were told to earn their foreign currency by exporting auto-related parts. But the assemblers found they could not get reliable, export-quality products.

Rather than expanding, the few component makers were closing because of falling domestic demand and high interest rates or because they did not have the economies of scale necessary for competitive exporting.

Consequently, Pilipinas Nissan and PAMCOR resorted to similar solutions – exporting rattan (cane) furniture, prawns, octupuses, ramie and even chopsticks.

The problem each faces of raising sufficient foreign exchange to match demand for cars is going to get tougher.

Under a new programme, approved last year, assemblers must progressively increase their auto-related exports since mangoes and cane furniture, for example, will no longer earn currency credits after 1993. However, they have been given some respite as they now only have to generate half their dollars for imports (the other half coming from car sales), compared with all of them before.

Mitsubishi Motor has got a head start. It already imports into Japan 90,000 transmissions a year from Asian Transmissions Corp, the Philippine subsidiary it owns with Nissho Iwai and PAMCOR. But these exports still only provide half the dollar credits PAMCOR needs.

Valuable credits will come, however, when it starts supplying transmissions to a joint venture which Mitsubishi Motor has with Sittipol Corp of Thailand for export cars to Canada.

The Government's Board of Investments, part of the Department of Trade, helps PAMCOR by having a generous definition of "exports", allowing a company to claim credits for business it has generated for another party. For example, Yazaki Torres of Manila – in which PAMCOR has no interest – will supply Diamond Star Motors of America with wiring harnesses from next year when the Mitsubishi Motor and Chrysler Motor Corp venture starts up.

"The business (for Yazaki-Torres) has materialised through OUR efforts so it is considered OUR export for the purpose of foreign currency credits," says Endo.

For Pilipinas Nissan and Toyota Motor, it will be harder. Neither has significant auto-related exports nor plans to develop the capacity.

The assemblers will also have to raise the local content in their cars in line with the new rules. At the moment, the engine, chassis, axles, bodywork and even door mechanisms are still imported, leaving little more than transmission, brakes, tyres, batteries and windows to Filipino manufacturers.

Endo dismisses concern that this will be a problem and says PAMCOR is already talking to its 80 local suppliers. "The price of CKD is going up," he explains, "and the cost penalty of the local content is getting smaller as the yen gets stronger."

The President of the Philippine Automotive Federation, Henry Moran, is less sanguine. "Gearing up local component production to export quality is at best marginal," he says. "We don't have the infrastructure – basic forging, casting and moulding machines – to upgrade our products. It will take money and time."

Making wiring harnesses is not the answer, although it is the area most likely to grow. It is low tech and labour intensive and an unlikely candidate to provide the foundation for an integrated component industry.

Apart from searching for foreign currency and ways to increase local content, managers have to spend a great deal of time with government.

Sometimes this involves working with the Philippine Automotive Federation and the BOI to squeeze extra dollar allocations out of the Central Bank. At other times it is endless negotiation.

The new BOI Car Development Programme, for example, took two years of arduous, sometimes daily, talks and 10 working drafts before a version emerged late last year. In practice it was little changed, assemblers say. However unproductive this liaison with government might seem to be, it is an inescapable part of a manager's life in a regulated sector.

For some companies, notably the large American auto makers, the struggle has been too much, while others, notably the Japanese, have battled on. Since the early 1970s, Chrysler, Ford, General Motors and Volkswagen have all thrown in the towel, leaving Mitsubishi Motor and Nissan Motor as the only international companies in the ring.

Mitsubishi's experience in 1984/85, when production fell to fewer than 50 cars a month, is an example of Japanese tenacity. Crippled by low capitalisation, heavy debts and peso interest rates close to 50 per cent, Endo persuaded PAMCOR's shareholders to inject $22m to pay off all local debts.

"We argued to be allowed to invest the same amount as was guaranteed by the Japanese shareholders and that if we could still not make money, then we should close," Endo says. PAMCOR continued to lose money in 1986 but made a $5m net profit last year on a turnover of $87m and expects to double both these figures this year. The large reduction in interest charges and a big increase in demand are behind the turnround.

More important, Mitsubishi Motor still has a low cost source of transmissions for the cars it will export from Thailand. And it has probably helped keep alive the Filipino wiring harness company which will be supplying Diamond Star.

Mitsubishi Motor, in turn, is helping to change attitudes. Earnest posters, normally associated with a Hyundai or Mitsubishi Motor plant, remind the erring worker about "productivity – the key to survival" and "development through everyone's involvement."

The PAMCOR production line in Manila may still not hum like its distant cousin in Japan. But Japanese vigour has clearly started to undermine the more natural Filipino inclination to take things at a tropical pace.

PAMCOR is now three times more productive than it was a decade ago because of the change in attitude, Endo explains proudly.

But some attitudes may never change. In the past, for example, the dollar earning rules were never really rules – more like targets. Companies never quite hit them and instead received special allocations from the Central Bank – one such allocation has just run out.

It is, therefore, entirely possible, if PAMCOR does not earn enough dollars, that Endo and Mitsubishi Motor will still be exporting mangoes and octopuses in 1998.

'Five per cent club' takes root in the vegetable plot

Deborah Hargreaves on corporate giving to the community in the US

LAST SUMMER brokers from the Spokane, Washington, office of the investment banking firm, Piper Jaffray, discarded their pin-stripe suits and spent their evenings tending a huge vegetable garden they had planted in the city. They donated the harvested produce to local food shelters as part of the company's programme to alleviate inner city hunger.

Piper Jaffray was one of seven companies to receive an award from the Minneapolis chamber of commerce for its hunger programme's "wholehearted" contribution to the community last year. The award was made as part of the city's continuing effort to encourage business to become more involved with local problems.

In fact, the city institutionalised this effort 10 years ago, when it established a "Five per cent" club for businesses that contribute 5 per cent of their pre-tax profits to charity each year. The idea has since spread across the country and has been joined by a "two per cent" club for smaller companies.

Piper Jaffray initiated its hunger programme 18 months ago after Harry Piper, company's chairman, was moved by reports on the famine in Ethiopia. He launched a five-year plan for the company's involvement in food projects abroad and locally.

"We wanted to find projects where we could make a difference, and which would help lead to self-sufficiency for the country," a company official stressed. In this way, the company sponsored an irrigation project in the drought areas after sending one of its stockbrokers on a fact-finding mission to Ethiopia and Kenya.

At the same time, the company started a bid to become involved in domestic hunger initiatives by encouraging its employees to devote their time to food charities. Almost half of the company's 63 offices have joined the food drive since Harry Piper made a presentation to branch managers in September 1986.

Piper Jaffray matches any monetary contributions made by its staff to food charities as long as employees also devote some of their time to the organisation. This has seen some of its retail brokers incongruously rolling up their sleeves and serving meals in Minneapolis soup-kitchens.

Corporate community munificence was pioneered by the Minneapolis-based retailing firm, Dayton Hudson, after the 1930s Depression. When president Lyndon Johnson revised the US tax law in the early 1970s to exempt companies from paying tax on up to 5 per cent of their profits as long as it was given to charity, Dayton headed a group of Minneapolis firms in an informal association pledged to do this every year.

This led to the idea for the "Five per cent" clubs, which now exist in some 15 US cities with Minneapolis and Indianapolis heading the scale for corporate contributions.

"We just honour their honour," remarks Nancy Monteith, who

A conference on Private Sector Initiatives jointly organised by the UK's Business in the Community and its US equivalent, Private Sector Initiatives, will be held at Lancaster House next Tuesday

co-ordinates the programme at the Minneapolis Chamber of Commerce. Every year the chamber organises a dinner with a speech for its "Five per cent" members, where it makes awards to those who have made "special" contributions.

Along with Piper Jaffray, last year's awards included Senex, an agricultural company that had organised a programme to help local farmers cope with the stress of foreclosure and bankruptcy; IBM, which worked with local schools on a computer project; and Medtronic, a company that makes pacemakers and which had organised a programme to help senior citizens.

"Contrary to popular belief, we're not an investment club," Monteith explains. "We don't collect the money, but leave the companies to donate it to the projects they choose." These can range from direct community involvement projects, such as Piper Jaffray's hunger programme, to sponsorship of the arts and recreation facilities.

One of the keys to getting corporations involved in social projects is a good promotional team, comments Andie Marshall at the Indianapolis chamber of commerce, where the three-year old "Five per cent" club has grown by 103 per cent this year.

Marshall sends out applications every autumn, asking firms if they want to join the club and can verify that they donate 5 – or 2 – per cent of their annual profits to charity.

Once the organisation gains momentum, firms feel a certain amount of prestige in being socially aware. "We've only had 12 drop out and they apologised for it," says Marshall. The companies are thanked for their contributions in a letter from the mayor and their names are inscribed on a plaque.

Contributions break down into certain categories, Marshall explains, with education and youth programmes proving among the most popular causes.

Both Minneapolis and Indianapolis receive many inquiries from other cities and organisations which want to establish their own five and two per cent clubs, but as fast as the clubs have sprung up across the country, others have dwindled either because of a lack of promotion or corporate will.

"There are a lot of misconceptions about the clubs," says Monteith in Minneapolis, "often the organisations just want to get hold of a lot of money and invest it themselves."

In Chicago, another business organisation has taken its own approach to community involvement. The Civic committee – formed as an offshoot of the city's prestige Commercial Club three years ago – comprises 45 chief executive officers of top Chicago companies, who volunteer their time and expertise to economic development projects.

The committee has devoted its time to a financial planning report for the city as well as setting up a help bureau for small business and becoming involved in the city's education reform movement.

"The business community should feel a big social responsibility," says Larry Howe, who runs the committee. "We've got a basketful of problems in Chicago such as housing, poverty and racial discrimination and a lot of people in need of serious help ... no corporation is an island."

THE PROPERTY MARKET

BY PAUL CHEESERIGHT

Commercial rates: the great revaluation debate

THE GOVERNMENT has got off lightly in the debates about a commercial rates revaluation and the introduction of a uniform business rate in 1990. There is disquiet about the implications. There have been objections from business organisations, but no political opposition of the type that attended the introduction of the community charge.

The principle of the change is not now the subject of debate. Concern centres around the fringe issues and, on these, organisations from each end of the business spectrum – from the Confederation of British Industry to the National Federation of Self Employed and Small Businesses – have been vocal.

Even now, after the passage of the Local Government Finance Bill through the Commons, the difficulty remains of a shortage of facts.

The effects of a major tax change cannot be assessed until the first revaluation since 1973 has been completed. The Inland Revenue is now receiving the rent returns, which, with a base date of April 1 1988, are the foundation of individual property rate revaluations. But it will not have analysed the returns until autumn, and that analysis will determine the level of the rate poundage.

At one stage it was thought that the average rateable value would have increased since 1973 by a factor of 5½. This would have suggested that the poundage, given that the Government wants to raise the same amount of revenue as it does now, would be set at about 40p. Business organisations have, however, been suggesting that the increase would be less, pointing to a poundage of 50p.

The poundage will be announced in October or November 1989. Until then it is possible really only to estimate the effects of the change.

In sectoral terms, manufacturers are expected to be better-off, with lower rate bills. The retail sector, however, is likely to be paying more, especially the multiples with prime High Street locations.

The concern now is the modality of change. The Government has been twisting and turning, meeting some pressures, shrugging off others. The basic structure of the rates reform remains in place, but qualifications are being added.

The one certainty is that there will be a period of transition. It is not clear how it will work in practice, but from the official statements and from the nodr and winks that have flashed across Government offices, the picture now looks something like this:

- There will be a ceiling on the percentage increase in the rates bill of any one year for a particular property. The ceiling will be established after the Department of Environment has analysed the average increase in rateable values.
- High rate increases will be phased in at the rate of 15 per cent compound per year for all but small properties. Thus any property facing a 100 per cent increase in its rates bill on April 1 1990 will have it phased in over five years.
- For small businesses the phasing in would be at 10 per cent compound per year. What exactly is a small business has not been defined so far, but it looks as if the Government is thinking of those in properties which had a 1973 rateable value of less than £10,000.
- The transitional arrangements can go on on until after 1995.
- The phasing in of the high rate increases will be paid for by holding back the reductions in rates for properties which have a new low assessment. In other words those who will be better off because of the new system will be better off more slowly, just as those who will be worse off will be worse off gradually.

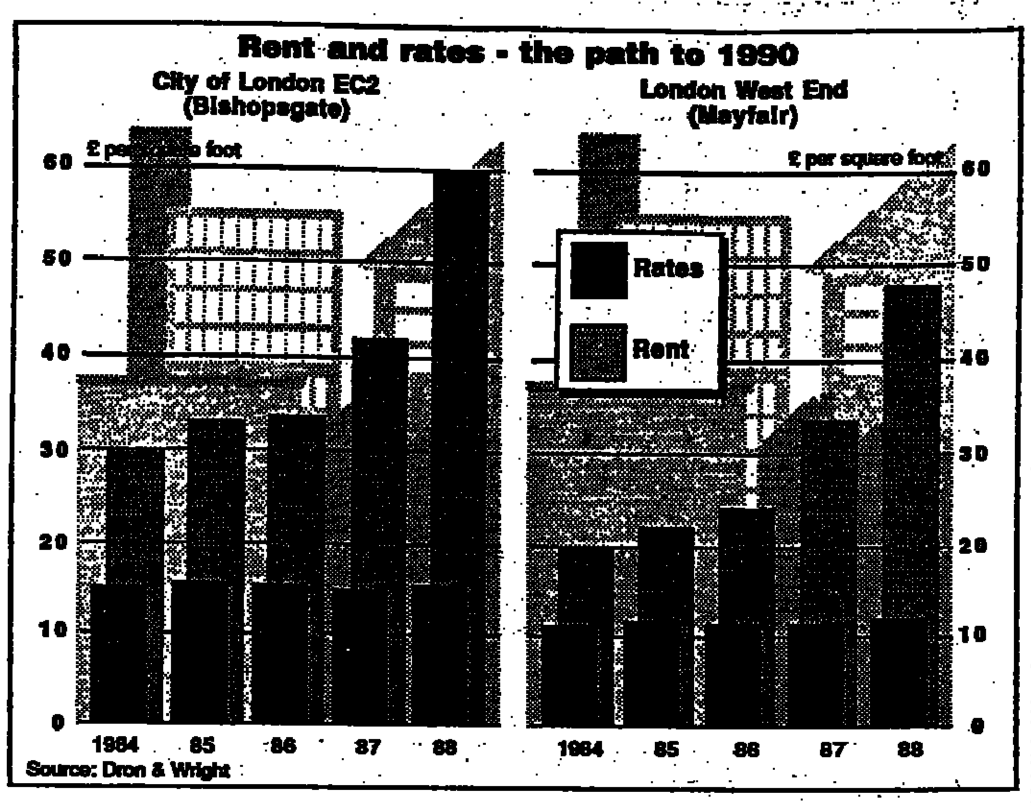
The Treasury is not prepared to countenance any loss of revenue from the phasing-in of the uniform business rate.

Officials appear to be fairly relaxed about what could be a messy administrative situation with the new system being phased in while at the same time leaping forward. This situation arises because the revaluation based on 1988 figures will be kept up to date. There should be another revaluation with a base date of April 1993.

This relaxation spings from two factors. First, the belief that with phasing at 15 per cent a year, virtually all properties will be caught fully in the net after five years. Second, the tight definition on small properties will stop the extended transition from getting out of hand administratively.

All of this, however, affects existing properties or properties which do not currently attract rate concessions. But there will be properties built between now and 1990. And by 1992 many properties in Enterprise Zones will lose their rate-free status.

Dron and Wright, chartered surveyors, have highlighted the point that properties which are not part of the current revaluation – that is those which are coming out or are not yet out of the ground – will also be outside the phasing in arrangements. They will attract immediately after April 1 1990 the full new rate.



The Department of Environment is not sympathetic to any suggestion that such new properties should enjoy the transitional benefits. The argument is that it would be an arbitrary exercise working out what the rateable value of a new building might have been in 1973. Further, the object of the transitional arrangements is to protect existing occupiers from sudden increases in costs: anybody who goes into new properties does so with eyes open.

The question of Enterprise Zone properties raises rather different points. Fuller Peiser, the chartered surveyors looking at rating problems in the Isle of Dogs Enterprise Zone for the London Docklands Development Corporation, noted that "due to their exemption from rates, occupiers in EZs are often paying rents substantially higher than in surrounding areas where this rate relief is not available."

This would mean that the rateable value of EZ properties will be higher than those just outside even though general economic conditions might be the same.

The way in which the Government tends to meet this disparity is to ensure that Inland Revenue valuers discount the present higher rental value of the EZ properties in comparison with those outside.

All of this – the transitional arrangements, the treatment of buildings outside the present rating assessment, the approach to EZ properties – suggests that the Government is trying to come to terms with anomalies even though the legislation has gone through the Commons.

So the arguments over the coming months probably will fall into two categories. The first will be a struggle for influence in the drawing up of the regulations. A key point here will be how appeals against rating assessments are handled.

One consultation paper has been put out and in response to representations made on that, the Government has in certain circumstances lifted the time limit of six months in which appeals can be made. There will be more consultations in autumn before the appeals procedures are finally set out.

The second category will be more political. The small business issue which this month has been exercising Conservative MPs is not likely to go away. The concessions granted so far are likely to be tested against how the Government define the nature of the properties which will enjoy the extended phasing in. The concessions may be acceptable in the West Midlands, but not in the South East, said Mr John Heddle, the Conservative member for Mid Staffordshire.

There will be other issues. Mr Heddle, for example, intends to press for a ban on the levy of rates on empty buildings. But, as he conceded, the future debate will be on peripheral questions.

International Property

Company Notices

NOTICE OF PREPAYMENT

MOL INTERNATIONAL S.A.
ECU 50,000,000
9⅝% 1985/1990 Guaranteed Bonds
Unconditionally and irrevocably guaranteed as to payment of principal, premium and interest by
THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

In accordance with paragraph " Prepayment" of the Terms and Conditions of the Bonds, notice is hereby given that Mol International S.A. will prepay, on May 31,1988 the total amount remaining outstanding of the above-mentioned Bonds at 100½% of their principal amount, together with accrued interest (i.e. ECU 28.34 per denomination of ECU 1,000) from February 15,1988 to the date of redemption.

Payment of accrued interest and premium due on May 31,1988 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Bonds.
Bonds must have coupon due February 15, 1989 and following attached.
Interest will cease to accrue on Bonds as from May 31,1988.

Luxembourg, April 29,1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Clubs

CREDIT DU NORD
US$100,000,000 Floating Rate Notes Due 1997

For the period from April 27, 1988 to July 27, 1988 the Notes will carry an interest Rate of 7⅞% per annum with an interest amount of US$194.84 - per US$10,000 Note.

The Relevant Interest Payment Date will be July 27, 1988.

Banque Paribas (Luxembourg) S.A.
Agent Bank

Company Notices

NESTLÉ S.A.

Nestlé S.A., Cham and Vevey (Switzerland)

The shareholders are hereby invited to the
121st Ordinary General Meeting
to be held on Thursday May 19, 1988 at 3.00 p.m.
at the "Palais de Beaulieu" in Lausanne (Switzerland)

Agenda

1. Approval of the 1987 Accounts and of the Directors' Report.
2. Discharge of the Board of Directors and of the Management.
3. Decision on the appropriation of the net profit.
4. Statutory elections.

The holders of *bearer shares* may obtain their admission card (with a proxy) at the Company's Share Control Office in Cham not later than on Monday May 16, 1988 at noon. The cards will be issued either against presentation of a certificate to the effect that the shares have been deposited with a bank, or after the shares have been deposited at one of the Company's Registered Offices. The shares will in both cases remain blocked until the day following the General Meeting.

The 1987 Annual Report, comprising in particular the Nestlé S.A. Directors' Report, will be held at the disposal of the holders of *bearer shares*, as from April 26, 1988 at the Registered Offices in Cham and Vevey and at the offices of the Company's paying agents.

The holders of *registered shares* whose names appear in the Share Register will, within the next few days, receive the invitation to the General Meeting, together with a form incorporating an application for an admission card and a proxy. The Annual Report will be dispatched to them a few days later.

Shareholders are requested to address any correspondence concerning the General Meeting to the Share Control Office of the Company in Cham (Switzerland).

The Board of Directors

Cham and Vevey, April 25, 1988

SAINT - GOBAIN
XEU 125.000.000,-
LOAN AT VARIABLE INTEREST RATE AND NO FIXED REDEMPTION DATE

Bondholders are hereby informed that the rate applicable for the seventh interest period has been fixed at 6 3/4 %.

Coupon nº 7 will be payable as from October 26th, 1988 at the price of XEU 171,56 equivalent to an interest of 6 3/4 % calculated on the basis of 183/360ths covering the period from April 26th, 1988 to October 25th, 1988 inclusive.

Fiscal Agent & Reference Agent
CRÉDIT LYONNAIS - LUXEMBOURG

NOTICE TO WARRANTHOLDERS OF
KIRIN BREWERY COMPANY, LIMITED
US$500,000,000 2¼ per cent. Notes Due 1992
with Warrants (the "Warrants")
to subscribe for shares of common stock of
KIRIN BREWERY COMPANY, LIMITED

Kirin Brewery Company, Limited (the "Company") changed its financial year-end from 31st January to 31st December at the meeting of the shareholders of the Company held on 28th April, 1988. The Company will have a transitional financial period of eleven months running from 1st February, 1988 to 31st December, 1988 and thereafter its financial year will run from 1st January to the following 31st December; the record dates for the payment by the Company of annual dividends and interim dividends will be 31st December and 30th June, respectively, in each year.

Notice is hereby given that, as a result of the foregoing, the Dividend Accrual Period (as referred to in Condition 4 of the Warrants) with respect to the shares of the Company issued upon exercise of Warrants will be an eleven-month period ending on 31st December, 1988 and thereafter each six-month period ending on 30th June and 31st December in each year.

29th April, 1988

Kirin Brewery Company, Limited
26-1, Jingumae 6-chome,
Shibuya-ku, Tokyo, Japan

Legal Notices

A & I MEATS AND FROZEN FOOD PRODUCTS LIMITED

Registered number: 1906736
Trading name:-
A & I Meats
Nature of business Fresh Meat and Frozen Food Wholesalers
Trade classification: 12
Date of appointment of administrative receiver Wednesday, 20 April 1988
Name of person appointing the administrative receiver Barclays Bank plc
JOSEPH PATRICK CONSIDINE
Administrative Receiver
(Office holder no 069)
Cork Gully
Churchill House
Churchill Way
Cardiff
CF1 4XQ

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ARTS

Arts Week

F	S	Su	M	Tu	W	Th
29	30	1	2	3	4	5

Exhibitions

LONDON

The Royal Academy: Cezanne, The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Though he came to his greatness in his middle and later years, his early period is now revealed in all its complexity with many great works to set among the youthful experiments and failures. Ends August 21.

WEST GERMANY

Berlin, Martin-Gropius Bau. The first complete show of Joseph Beuys' (1921-1986) works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1960s based on a cycle, The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Stresemannstrasse 110: Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, 100 paintings of the artist, born in Bottrop cover the full range of his work. Ends May 5.

AMSTERDAM

Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Rijksmuseum. Two hundred of the printroom's finest 15th and 18th century ornamental prints, with designs for jewelry, weapons and furniture. Ends June 19.

Rotterdam, Boymans-van Beuningen Museum. The textiles of Norlene and the glass artistry of Lino Tagliapietra inspired By the Light of the Lagoon and the tradition of Venetian craftsmanship. Ends May 23.

PARIS

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. (42 77 12 33), Closed Tue, Ends May 16.

Centre Georges Pompidou. Marc Chagall. Forty-six paintings, 408 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. (4277 12 33) Closed Tue. Ends June 5.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. (4266 09 30). Ends May 16, Closed Tue.

VIENNA

Austrian Museum of Applied Arts. The Kunst und Revolution. A rare opportunity to see Russian and Soviet art from 1910-1932 under one roof. There are marvellous paintings by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre and post-1917 posters. Ends May 15

Kunstlerhaus. After the highly successful Dream and Reality exhibition which looked at fin-de-siècle in Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). Ends June 12.

Secession. It is worth seeing how this building has been restored and the small but fine exhibition of lithographs and drawings by George Eisler, one of the few artists who returned to Austria after 1945. The collection focuses on Eisler's book illustrations. Ends May 15.

Kunstraum, Messepalast. Alfred Hrdlicka, Austria's leading sculptor, celebrates his 60th birthday with an exhibition of his work, all carved in stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

Historisches Museum, Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 87 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keeffe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Laforet Museum. Crafts from India. Textiles, sculpture and other craftwork, mainly from the colourful states of Gujerat and Rajasthan. 10 master artisans from these states will be giving live demonstrations of their work and all the works are for sale. Ends May 1.

Tokyo, National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon. Ends June 5

Teien Museum, Meguro. Art Deco Glass by Rene Lalique. This former imperial residence has one of the finest Art Deco interiors in the world. Among its many treasures is a set of glass doors with relief figures of winged goddesses, designed and made by the master of Art Deco glass, Rene Lalique (1860-1945). The current exhibition is a perfect match. It consists of some 300 examples of Lalique's work, from private collections in Japan and overseas. Ends May 29.

Seibu Yurakucho. Indian Court Costumes. Described by one New York reviewer as "by far the most dazzling, opulent and beautiful show mounted in recent years." Costumes from the collections of 12 former princely states. Ends May 10.

Goto Art Museum. Tale of Genji Scroll. Don't miss this rare opportunity to see one of Japan's major art treasures: four illustrations from a 12th century copy of the "Tale of Genji". Because of their fragility these delicately beautiful works are put on display for only one week a year. The Goto Museum is one of Tokyo's major private art galleries and the exhibitions, selected from an extensive collection of Chinese and Japanese art, rotate every two months or so. Closed Mondays. Ends May 8.

Ota Memorial Museum, Harajuku. A peaceful haven amidst the bustle and bustle of one of Tokyo's trendiest districts. This month and next: a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Morse collection in the US. Closed Mondays. Ends May 29.

ITALY

Venice: Palazzo Grassi. The Phoenicians: The fourth major exhibition at Fiat's imposing arts centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for more than 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146BC.

Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo: in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck.

Music

LONDON

Irving Berlin: a centenary tribute to the American composer presented by the BBC Radio Orchestra, conducted by Neil Richardson, and introduced by Benny Green with help from Georgie Fame, Helen Shapiro, Mary Carewe, Edmund Hockridge and the Neil Richardson Singers Royal. The Royal Festival Hall (Mon) (928 3191).

City of Birmingham Touring Opera performing Verdi's Falstaff, conducted by Simon Halsey. The Elizabeth Hall (Mon, Tue).

Royal Philharmonic Orchestra, conducted by Michiyoshi Inoue with Jon Kimura Parker on the piano playing Mozart. The Festival Hall (Tue).

Halle Orchestra, conducted by Stanislaw Skrowaczewski, with Ernst Kovacic, violin: Mozart, Berg, Tchaikovsky. The Festival Hall (Wed).

Sir William Glock 80th Birthday Concert: London Sinfonietta, conducted by Elgar Howard; Ensemble Intercontemporain conducted by Pierre Boulez. Birtwistle, Stravinsky, Boulez. The Elizabeth Hall (Wed).

English Baroque Soloists, conducted by John Eliot Gardiner, Malcolm Bilson piano: Mozart, Haydn. The Elizabeth Hall (Thur).

London Symphony Orchestra, conductor Yuri Ahronovich, Salvatore Accardo, violin: Berlioz, Bernstein, Brahms. The Barbican Hall (Thur) (638 8891).

NEW YORK

Academy of St Martin-in-the-Fields: Sir Neville Marriner conducting: Mozart, Tippett, Beethoven (Mon). Carnegie Hall (247 7800).

New York Philharmonic, Robert Johnson artistic director: Mozart, Harbison, Dohnanyi (Mon). Merkin Hall (362 8719).

Kalichstein-Laredo Robinson Trio: Zwilich, Brahms (Tue). Kaufmann Hall (996 1100).

New York Philharmonic: James De Preist conducting, Glen Dicterow violin: Faure, Saint-Saens, Walton (Tue). Zubin Mehta conducting, Martti Talvela (bass): All-Mussorgsky programme (Thur). Avery Fisher Hall (874 2424).

Castle/Schwartz/Zoerning Trio. Works for flute and strings by Haydn, Bach, Couperin, Mozart (Wed, 12.30 free) Juilliard Concerts, at the IBM Garden Plaza, 56th & Madison.

Lark Quartet: Beethoven, Shickele, Dvorak (Thur). Kaufmann Hall (996 1100).

Pittsburgh Symphony, Michael Tilson Thomas conducting, Janice Taylor (mezzo-soprano): Mahler (Thur). Carnegie Hall (247 7800).

WASHINGTON

National Symphony, Mstislav Rostropovich conducting: Mendelssohn, Debussy, Schumann (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony: Sir Georg Solti conducting: Vivaldi, Villa-Lobos, Haydn, Beethoven (Thur). Orchestra Hall (435 8111).

PARIS

Mozart's Requiem: Beethoven's Grand Fugue by the Ensemble Vocal J. Bert de Tours and Orchestre Français d'Oratorio, conducted by Dominique Rouits (Mon). Saint-Roch Church (42 61 3838).

Samuel Ramey, bass, Warren Jones, piano: Handel, Purcell, Schubert, Ravel (Tue) Theatre des Champs Elysees (47 20 36 27).

Ensemble Orchestral de Paris conducted by Armin Jordan, Joao Pires, piano, Ensemble Vocal Michel Piquemal: Beethoven, Brahms (Tue) TMP-Chatelet (42 33 44 44)

Emerson Quartet: Haydn, Beethoven, Schubert (Wed) Salle Gaveau (45 63 20 30).

Orchestre National de France conducted by Emmanuel Krivine, Jean-Pierre Rampal, flute: Rimski-Korsakov, *Khatchaturian, Frank (wed)* Radio France, Grand Auditorium (42 30 15 16).

Ensemble Moderne conducted by Ernest Bour: Germany 1 - Hans Eisler, Hans-Juergen von Bose, Nicolaus Huber, H.W.Henze (Thur). Centre Georges Pompidou, Grande Salle (43 78 79 95).

Nouvel Orchestre Philharmonique and Radio France Choir conducted by Jerzy Semkov with Zylis-Gara, Rappe, Ochman: Szymanowski, Brahms (Thur). Theatre des Champs Elysees (47 20 36 37)

Maria Tipo, piano: Beethoven (Thur) Salle Pleyel (45 63 07 96)

ITALY

Rome: Auditorium in via della Conciliazione: A selection of Beethoven piano sonatas played by Bruno Leonardo Gelber (Fri) and David Shallon conducting Bernstein's overture to Candide, Rachmaninoff's Rhapsody on a Theme of Paganini (with pianist Jorge Bolet) and Stravinsky's Rite of Spring (Sat, Mon, Tues) (65 41 044) Auditorio del Gonfalone: (Via del Gonfalone 32/A) violinist Claudio Laurita and Fausto Anzelmo (viola) playing Alessandro Rolla and Mozart (Thur) (65 75 952).

Milan: (Teatro alla Scala) (violinist Salvatore Accardo and pianist Bruno Canino playing Schubert, Beethoven, Cesar Franck and Paganini (Mon) (80 91 26)

Florence: (Maggio Musicale) Teatro Comunale: The pianist Radu Lupu playing Haydn and Schubert (Sat) and (Wed). The pianist Mikhail Pletnyev playing Tchaikovsky (27 79 236).

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic with vocalists and choir: Schoenberg, Beethoven (Wed). Recital Hall: Lucia Meeuwsen, soprano, Richard Frederickson, double bass, and Aldert Vermeulen, piano: Riquet, Tchaikovsky, Glinka, Bottesini (Tue). (718 345).

The Hague, Philipszaal. The Netherlands Philharmonic Chamber Orchestra conducted by Lev Markiz, with *Oleg Maisenberg*, piano: Janacek, Beethoven, Tchaikovsky (Mon). (60 98 10).

Rotterdam, Doelen, Richard Conlon conducting the Rotterdam Philharmonic Orchestra: Mahler (Thur). (413 2490).

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of post-Python comedians including Rik Mayall and Stephen Fry. *(836 2294, CC 240 9661)*

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

Bloody Poetry (Royal Court). Howard Brenton season inaugurated with this fine play about Byron and Shelley, a *fierce meditation on the* unloved artist in exile. Sian Thomas a notable Mary Shelley. Max Stafford-Clark directs. (730 1745)

A Touch of the Poet (Comedy). Vanessa Redgrave and Timothy Dalton in prolix but fascinating O'Neill play set in the aftermath of the European republican upheavals. Dalton is Con Melody, a Byronic wreck pipe-dreaming in the bar, Redgrave his loyal but defeated spouse. (930 2578, CC 839 1438).

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444). Ends April 30.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/ 240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity *Kendal is the eponymous intelligence agent*, Rogert Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, *this year's Pulitzer* Prize, with the powerful tale of an old baseball player trying to improve his lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its story in which the songs are used as auditions rather than emotions. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). *Those who saw the original at the Victoria in London will barely recognise its* American incarnation: the skaters do not have to go round the whole theatre *but get exercise in the* spruced-up stage with bridges and American scenery to distract from the trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it *has proved to be a durable Broad*way hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

The Mystery of Edwin Drood (Kennedy Centre Opera House). The Broadway hit musical based on Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1. (254 3770).

CHICAGO

International Theatre Festival: the American debut of the English Shakespeare Company performing the seven Wars of the Roses plays, beginning with Richard II, highlights the month long schedule of 20 productions from 13 companies representing Spain, France, and South Africa among others. Ends May 29. (644 3378).

TOKYO

The Wars of the Roses (Tokyo Globe Theatre, Shin-Okubo). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval to punk. (343 4751).

Hanshin (Theatre Apple, Shinjuku). A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour. Noda himself is a high-energy comic performer of great charm and the entire company is skilled in song, dance and acrobatics. Hanshin (half-god) is about Siamese twins and attempts to separate them, but the plot is less important than the visual invention. Total Theatre at its most exuberant.

Opera-za no Kaijin (Nissei Theatre) – better known as The Phantom of the Opera. Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which is a virtual carbon copy of his London and Broadway stagings.

Kabuki (Kabuki-za). This month's programme features two of the most spectacular works in the kabuki repertoire. At 11am, Imoseyama Onna Teikin, has a first act consisting of two plays performed simultaneously. It makes use of two hanamichi (the raised platform which extends into the auditorium) and two sets of singers, one on either side of the stage. One of the pieces in the performance at 4.30pm, Shiranami Gonin Otoko, is an elaborately stylised fight scene. Excellent English earphone commentary. Begins May 2.

NETHERLANDS

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam opens its 10th anniversary summer season with the world premiere of Svarupa's American Gothic, a macabre comedy Directed by the author. Dress rehearsals Tue, Wed: opening night Thur. (24 23 11).

Cinema/Nigel Andrews

Mammon-obsessed jungle observed

Wall Street (18) Odeon Leicester Square
Promised Land (15) Cannon Tottenham Court Road
New American Films

Oliver Stone's *Wall Street*, fast-paced, simple-minded and crackling with cracker-barrel wit, shows there is still a market for old-fashioned melodrama in modern Hollywood. Though set in 1985 and made before last year's October crash, it loudly proclaims that the writing is on the wall for Mammon-obsessed Western man. And on the way to its apocalyptic moral it has as many cautionary thrills and spills as Stone's last hit, the Oscar-festooned *Platoon*.

This time the front line of human conflict has moved to a different jungle: for South-East Asia, read South Manhattan. The best scenes in the movie are the early ones. Stone's camera prowls the offices of high finance through a non-stop flak of whizbang dialogue (script co-written by himself and Stanley Weiser), picking out his main characters. This is the world where procrastination not pace kills, and men live by the telephone. "In ten minutes it's history, at four o'clock I'm a dinosaur!" yells a deal-pushing colleague of our ambitious young investment-banker hero Bud Fox (Charlie Sheen). And "Lunch is for wimps" snaps millionaire corporate raider Gordon Gekko (Michael Douglas), torpedoing an ingratiating phone call as young Fox turns up for the first time, seeking advancement, at his idol's penthouse power-house.

Soon these two become teacher and pupil in the nasty mysteries of insider trading and our tour-guides through the mad, bad world of money-making. Equipped with names out of a Ben Jonson satire, they incarnate for Stone the animal world of greed and parasitism. Sheen's Fox is a crafty success-stalker, whose inexperience is no obstacle to his ravening ambition. Douglas's Gekko is a glittering-eyed lizard whose tongue can swallow its victim almost before you've seen it shoot out. Growling sleekly like father Kirk, and with a grin as instant and lethal as a laser gun, he is a charmer for the age of Hi-Tech. Not for the first time in a Hollywood film the devil has the best tunes and – as the Oscars recognised last month – the best performer to sing them.

Indeed, the movie goes soggy whenever the good guys take over. They are led by anguished Martin Sheen as Fox's Dad, a salt-of-the-earth union leader whose airline company is about to be bought, betrayed and broken up by Gekko. The movie's trail of deals and counter-deals, bluffs and double-bluffs, is brilliantly laid. But half-an-hour in, we realise we are being charmed into this jungle merely so that director Stone can meet us at its centre and tell us it is no place for an honest man to be. Minor characters, as in *Platoon*, are brought in not to enrich the human fresco but to incarnate moral points: from Hal Holbrook's crusty old office soothsayer, putting Honour before Profit, to Daryl Hannah's ludicrous interior-decorator girlfriend. Embodying flightiness-for-sale, she hops from one bed (Gekko's) to another (Fox's) while spouting cherishably fatuous career credos ("I'd love to do for furniture what Laura Ashley has done for fabrics").

By close of movie, what with Martin Sheen hospitalised with a heart attack, our young hero blubbing at the bedside, and everyone else delivering their last and earnest messages about corruption ("You can't get a little bit pregnant, pal" wheezes Holbrook), it would take a heart of stone not to giggle at the film. Instead of presenting a real-life world of finance in which a few bad apples mingle among a mostly sane and healthy crop, Stone puts out a search-and-destroy order on the whole orchard. I can only hope he has given all the many millions earned from *Platoon* and this film to charity: for Heaven forbid that he should have invested it with help from the sharks and Satans who comprise, according to *Wall Street*, today's financial world.

★

More Doomsday Americana is on offer in Michael Hoffman's "Promised Land." This has all the portentousness of *Wall Street* with none of the intermittent wit. The frustrated dreams of two small-town youths from the Mid-west – high-school friends Kiefer Sutherland and Jason Gedrick – end in despair and murder. Gedrick is a basketball hero who slides from sporting glory to stomping the beat as a local cop, and Sutherland drops out, drifts West and returns married to a pink-rinsed Punk (Meg Ryan) who comes on like the Crack generation's answer to Edna Everage. It all ends, not surprisingly, in bullets outside a supermarket.

Writer-director Hoffman, whose previous convictions include *Privileged* and *Restless Natives*, makes the story hum with doomy symbolism (the town is called Ashville) when it is not humming with aching tedium. Whenever he feels we might not get the message about the American Dream in crisis, he has a bit of Ronald Reagan speechifying on TV. (Always guaranteed to make us shake our heads and murmur "O tempora, O mores"). And the soundtrack is awash with fateful choral music as if we have all tuned into Radio Judgment Day. Among the movie's seven producers (yes, seven) is Robert Redford, whose Sundance Institute developed the project and signally failed to moderate its self-importance.

Redford's own new film as director, *The Milagro Beanfield War*, is far better. Indeed the best offering I saw on a recent visit to the States. The flavour of the new American film year is comedy. Movies aimed at the funny-bone top the box-office charts, including the current leader *Beetlejuice* and the latest 100-million-dollar topper *Good Morning, Vietnam*.

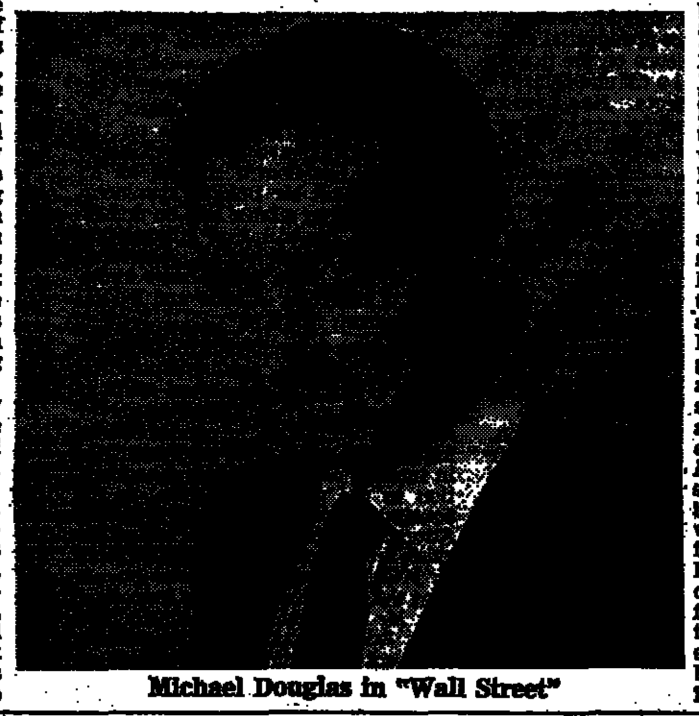
The mirthful spirit has crept through even into potentially solemn exercises like Redford's screen version of John Nichols's novel about a New Mexico struggle over land rights. The ingredients for earnestness are all here. On our right the nasty WASP developers who want to bulldoze the backward little pueblo for a golf course and country club complex. On our left the Hispanic natives and their friends and crusaders, including radical lawyer John Heard and fiery agitator Sonja Braga, who insist on a man's right to grow his own beanfield even if the beanfield is right in the middle of a proposed 18th fairway.

It is simple eco-political stuff, almost as simple as *Wall Street*. But Redford shows a refreshingly light and pixillated touch. Avoiding the worst excesses of Ethnic Chic, he makes the villagers a feckless, untidy and quarrelsome bunch: prone to shooting themselves (or each other) in the foot and to resisting the proffered boons, as well as the curses, of progress. Photographed in burnished primary colours by Robbie Greenberg, the movie is a child's guide to good causes with plenty of charm mixed in amongst the simplifications.

Comedy and politics mix far less happily in *Good Morning, Vietnam*. This chart-stormer from director Barry Levinson (of *Diner* and *Tin Men*) subjects us to ordeal by Robin Williams. The rubber-voiced American comic plays a Forces Radio DJ in late-60s Saigon, entertaining the ranks and shocking the officers with his subversive jokes. Between gale-force sessions at the mike, he befriends the Vietnamese – their children, their old people, their Vietcong sympathisers – and realises the terrible things America is doing to the whole country.

Yes, folks, it is hindsight liberalism, dished out by the bushful. Williams is fine when left to his own comic devices: a paleface Eddie Murphy cannonading quips at every bastion of authority from the Pentagon to the Vatican. But whenever the movie takes him out of the radio station and onto the streets, the icky piety and wisdom-after-the-event are frightening to behold. Even more frightening is the fact that the film has made $110m to date: proof of an America desperate to be consoled for a lost war with the facile assurance that it was a wrong war to begin with. Would Hollywood be giving us the same message if America had won?

Also tickling our ribs while attempting to prick our consciences is Mike Nichols's film of Neil Simon's *Biloxi Blues*. But the laughs are fitful and the jibes at militarism *déjà vu*. Better, in a lean season, to enjoy the messageless comic brio of *Beetlejuice* – a ghost comedy whose creaky script is oiled by a virtuoso Michael Keaton – or to have an irreverent giggle at Roman Polanski's *Frantic*. This Paris-set thriller starring Harrison Ford is one of those knock-on movie fiascos in which everything goes wrong: from script to acting to direction. By the end, as incomprehensible characters are chasing each other for incomprehensible reasons through incomprehensible streets, you might as well sit back and sew a determined, devil-may-care smile on your face.



Michael Douglas in "Wall Street"

The Plain Dealer/Swan, Stratford-upon-Avon

Michael Coveney

This revival of Wycherley's last play in the Swan at Stratford-upon-Avon is one of the great Royal Shakespeare Company discoveries. Hazlitt said of *The Plain Dealer*, criminally ignored by our theatre for the past 60 years, "No-one can read this play attentively without being the better for it for as long as he lives."

Ron Daniels's production certainly comes across as "a most severe and poignant moral satire." It also takes flight as a work of savage, astonishing and original theatricality.

The central character, Manly, a close cousin of Molière's Alceste, has returned from the Dutch Wars determined to renounce all forms of social hypocrisy and to claim Olivia, with whom he has deposited his money, as his wife. She has secretly married Manly's one friend, Vernish, and consorts with coxcombs and flatterers. Manly is trailed by Fidelia, a doting admirer in sailor boy costume, whom he dispatches to intercede on his behalf with Olivia.

The comedy of friendship and material gain is deepened in the judiciary antics of the Widow Blackacre, "that litigious she-pettyfogger," whom Freeman, Manly's lieutenant, wishes to marry, setting about the cow by corrupting her calf, her nitwit son. The plots converge on Westminster Hall, the city's legal nerve-centre and labyrinth of lies. Manly, having denounced Olivia, turns hypocrite to seduce her. English drama has bustled on since the same Westminster Hall saw the ruthless deposition of Shakespeare's Richard II.

There is a certain heaviness and length to the play which Mr Daniels correctly indulges. He has encouraged the cast to unravel the glittering, poisonous conversations with a most purposeful emphasis. And in David Calder's Manly, we have a performance of startling authority and great poise, using the language of righteousness as a cloak to malevolence. The great thing here is that Manly's moral stance is only scuppered by his base appetite, a development of frightening truthfulness that proved too much for Wycherley's more squeamish critics.

The risk is taken of contradicting the Swan's interior architecture with a great white endstage setting by David Fielding. A diagonal green carpet takes us easily to the legal green bags, opulent black costumes and French legal jargon of Westminster Hall. A lone blindfolded white cherub hints that this design will especially assist the night scenes where Manly vengefully rapes Olivia in a shocking variation of the old bed trick.

So it proves, these scenes played in a crepuscular linen twilight of voices, dark meanderings and lust. As a Restoration play, there is nothing quite like this one, with its adult movie extension of the go-between romance of *Twelfth Night*; its vitality of insult and abuse in the gossip scenes, more viciously funny than Sheridan's school; its attack on Wycherley's own *Country Wife* in Olivia's "filthy play" tirade; and its premonition of another English classic, *She Stoops to Conquer*, in the mother and son dispute over lost jewels and parchments.

For all its related resonances, though, this play has a violence and vivacity peculiar to itself. A son brings a legal action against his own mother. A cuckolded husband discovers Fidelia's sex by unbuttoning her blouse and immediately jumping on her. The mighty friendship of the world is exposed as an unremitting sham. Wycherley's view of humanity is not high, but nor is it shallow.

A superb cast captures the raddled tone exactly, no more so than Joanne Pearce's voluptuously repulsive Olivia, a siren with a scythingly cruel wit and ecstatic nastiness. Another view of mercilessly ascendant feminism is provided by Marjorie Yates as the obsessive Widow, truculent and quick-thinking, a future ally (the production suggests) in Olivia's ongoing campaign of malevolent spite.

There are two wonderful fops from Tom Fahy and, the comic star of last year's RSC tour, Mark Hadfield. Oliver Cotton and Edward Peel lend good supportive weight, and Jaye Griffiths is both beautiful and effective as a critical cousin. Some of Purcell's more acidulous music has been tellingly arranged and adapted by Guy Woolfenden.

Alastair Muir

Mark Hadfield, Tom Fahy and Joanne Pearce

Philharmonia/Festival Hall

Rodney Milnes

Even those who respond to Richard Strauss might admit to the Jekyll and Hyde in him: those who don't definitely settle for the Hyde. Yet even the most rabid anti-Straussians must find a place in their adamantine hearts for the Four Last Songs, whose calm, wondering welcome to death and grateful celebration of the perfect marriage that made life possible make up for any Hyde-ish sins. It is the perfect Strauss contribution to the South Bank's "End-Games" series.

Or so it seemed at Wednesday's unflustered, rapt performance by Alison Hargan with the Philharmonia under Andrew Davis. Miss Hargan has all the necessary attributes: appropriately silvery tone, ease at the top, an incisive middle register and natural, unassertive musicianship. She very wisely resisted "interpretation," being content simply to sing notes and words as beautifully as she knew how – Lisa Della Casa being the obvious (and right) model, most noticeably in the "schweben" vocalise in "Beim Schlafengehen". Nothing came between the music and the audience, save perhaps Mr Davis's tendency towards allargandos at the end of the songs, which tested – yet never found wanting – the soloist's breath-control.

The conductor's penchant for a big, "fat" Strauss sound, held in check (just) in the songs, found fitting pastures in the Symphonic Fragment from *Die Liebe der Danae*. The farewell here is altogether more fleshly, to love rather than life, but no less affecting to those of certain years. The golden glow from the Philharmonia brass and the sheen of their strings fitted the bill admirably, and the whole whetted the appetite for the first British staging of this lovely, misunderstood opera. Which of our companies will have the courage to tackle it?

It was a shock to go back, in the second half, fifty years to *Till Eulenspiegel*, that amiable sin of (comparative) youth given an amiably merry performance. But nothing can excuse that wholly Hyde-ish sin of complaisance if not commission, the *Rosenkavalier* suite. We don't even know which hack was responsible for cobbling it together. How meretricious the music sounds out of its dramatic context, especially with Mr Davis wallowing laboriously, fattily over its lugubrious lusciousness. A regrettable end to a gamely enjoyable concert.

Garrick Ohlsson/Wigmore Hall

Paul Driver

Garrick Ohlsson's piano recital at the Wigmore Hall on Wednesday was less than happily devised: Schubert's A minor sonata Op. 42 is not an ideal opener, and to follow it with another long, early romantic grand sonata, Weber's No. 1 (Op.24) in C, is peculiar and insensitive, all the more so when it is not particularly well played.

Ohlsson also made the Schubert curiously inconsequential, and with his reliably heavy touch and preference for high volume, curiously unbeautiful: he completely missed the natural lyric voice of the work, and the sparkle and charm which accompanies its seriousness. He simply isn't a Schubertian.

The Weber sonata would have been a little less tiresome and seemed less notey if Ohlsson had ever been able to play with fleetness of spirit, delicacy, or dynamic discrimination. As it was, even the pure virtuosity of the *perpetuum mobile* finale, which is the sort of music Ohlsson evidently has a knack for, came over as laborious and otiose.

The second half contained more interesting items, more happily juxtaposed. We heard the second book of Debussy's *Images* and Samuel Barber's masterly Sonata (Op.26) of 1949. *Cloches à travers les feuilles* wanted a more careful consideration of its dynamic structure (Ohlsson virtually never plays quietly), but was impressive enough from the point of view of fingerwork. The poetry of stillness in *Et la lune descend sur le temple qui fut* was merely prose-poetry; but *Poissons d'or* certainly commanded respect, for essence as for coruscating surface.

That movement was the first musical success of the evening. Ohlsson went on to demonstrate his true gifts as a pianist in an amazingly well-controlled account of the prodigious Barber work. He indicated a native feeling for the music's American athleticism, and his performance left one willing to compare the work with piano music by Copland, Prokofiev, or even Debussy.

Così fan tutte/Coliseum

Richard Fairman

There is no escaping the refined atmosphere that the present English National Opera production brings to *Così fan tutte*. With its elegant classical porticos and open-air vistas the stage picture breathes an unmistakably rarefied air, and any singers new to the cast must surrender themselves to its subtle ways.

For this revival the two original leading ladies have returned and the whole evening derives its strength from them. The delightful partnership of Felicity Lott and Della Jones has lost none of its talent to amuse. Subtle in their humour, they show how credible the characters can be if handled with sufficient care.

Of the two, Felicity Lott has found her way to the more individual portrayal. With a parasol shading the sun from her peaches-and-cream complexion, this Fiordiligi is the most aristocratic one could hope to see and the singing, which reaches a high point of beautiful tone and limpid phrasing in "Per Pietà," is to match. In Della Jones' forthright Dorabella (the mezzo is on her top form) she has an ideal foil.

Elsewhere the feeling for this *Così's* style is mixed. There are signs of a lively portrayal to come from Christopher Booth-Jones, who stepped in as Guglielmo at the last moment, but Maldwyn Davies makes a stolid Ferrando and the the voice, a touch backward and nasal, does not sound at its best in Mozart. Andrew Shore is the dependable Don Alfonso and Cathryn Pope a restless Despina, forever fluttering her eyelashes and aping upper-classes. Something simpler would be preferable.

In the pit a raucous crescendo and noisy timpani at the end of the Overture suggested that we might be in for a performance more like Rossini than Mozart, but those fears were largely misleading. The energy and dramatic sense of Graeme Jenkins, directing from the harpsichord, are generally welcome. For the rest, this was ladies' night, whatever Don Alfonso might have to say about that.

Teechers/Arts

Martin Hoyle

The touring company Hull Truck is going strong after 17 years. They have returned to London with a play by the award-winning John Godber – of *Bouncers* and *Up 'n' Under* fame, and *The Ritz* television series.

The humour is immediate, unpatronising and totally without pretensions. It aims at the whole family, rooted in affectionate observation. The political message is gently and engagingly put over almost as an afterthought by an endearing cast under the author's own warm-hearted direction.

The three players slouch on stage in school uniform. The gum-chewing Salty is rather flash. Of the two girls Hobby is large, lumpish and bemused, Gail small, vivacious and noisy. The three present a play, the story of how a new drama teacher brought meaning into the lives of these academic – and, one dreads to assume, social – no-hopers. The piece is played as to a school audience and patently parallels reality, with many remarks addressed appealingly to the stalls where sits the obvious model for the drama teacher. In life, as in the play, he is leaving for greener pastures at a posh school; and after a cheerful comedy we are left uncomfortably aware of the dead-end facing so many kids written off at school, whose greatest hope is a government training scheme – or even starring in an advertisement for a training scheme.

The performers take a variety of parts, adult and juvenile, abetted by flexible production that recalls Mr Godber's fluency in *Up 'n' Under*. We even have a stylised and economically depicted tennis match in place of the earlier comedy's rugby, not to mention the blasts of classical music to slow-motion ecstasy that have become something of a Godber hall-mark. If the result has a slight blandness, a lack of chewiness, I imagine the show is perfectly calculated for touring to a wide range of audiences.

Shirley-Anne Selby is the bulky Hobby, besides a clutch of bullies and *Mikado*-producing schoolteachers; Paul Rider switches easily from narrator Salty to young Mr Nixon who brings hope to the kids and a quickened beat to the heart of Gillian Tompkins's Gail – a performance of energy and comic charm not too far from the Julie Walters school.

Arts Guide

29 April - 5 May

Opera and Ballet

LONDON

Royal Opera (Covent Garden). The eagerly awaited new production of Tippett's The Knot Garden by Nicholas Hytner has Sian Edwards as conductor; the cast includes Anne Howells, Eiliene Cannan, Alan Opie, Rodney Macann, and Christopher Gillett. Further performances of the Lucia di Lammermoor revival conducted by John Pritchard, with Edita Gruberova an expertly voiced, heroine, and of the new Salome, with Maria Ewing in riveting form in the title role in an otherwise dull and heavy production by Peter Hall. The Friday and Saturday performances bring to a close the week of Proms sponsored by Midland Bank.

English National Opera (Coliseum). The Makropoulos Case returns in slightly less than fresh and sparkling form, but with Josephine Barstow fascinating as ever as the 339-year-old heroine. The new Magic Flute production by Nicholas Hytner is funny, lively, vivid, and lovely paced, with a winsome Yorkshire Papageno in John Rawnsley; the other Mozart opera in repertory is Così fan tutte, with Felicity Lott and Della Jones as the sisters and Maldwyn Davies and Russell Smythe as their lovers.

Royal Opera (Covent Garden). The Royal Ballet plays Swan Lake (Mon).

Northern Ballet Theatre (Sadler's Wells). Ends a short season with Coppélia.

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquasto's set, along with the new production of Gaite Parisienne choreographed by Leonide Massine and Baryshnikov choreographed by ... Ends June 11.

WASHINGTON

Washington Ballet (Kennedy Center Opera House). Balanchine's Serenade set to Tchaikovsky and ... highlight the programme (254 3770).

JAPAN

Sadlers Wells Royal Ballet (Tokyo Bunka Kaikan). In La Fille Mal Gardée. (Mon) (463 3080)

Les Ballets de Monte Carlo, with Muriel Maffre, Frederic Olivieri, Rosella Fontela, Patrick Dupond. Gala Performance (Le Fils Prodigue, Sheherazade etc.) Kan'i Hoken Hall, Gotanda. (Thurs) (407 2848)

PARIS

Swan Lake (Paris Opera) is followed by Faust conducted by Alain Lombard with Faust sung by Alberto Cupido/Jean Dupouy, Mephistopheles by Jose Van Dam/Jean-Philippe Courtis, and Marguerite by Gabriella Benackova/Michele Lagrange (47 42 53 71).

Carolyn Carlson (Theatre de la Ville) Dances in Dark a premiere of a phantasy on images of angels created by 10 dancers. (42 74 22 77).

Ecole de Danse de l'Opéra (Theatre des Champs Elysees) charms audiences with a light-hearted programme especially chosen for its students (47 23 36 37).

NETHERLANDS

Opera Forum conducted by Gabriele Bellini in L'Elisir d'Amore by Donizetti, directed by Giancarlo del Monaco. Mon in Groningen, Schouwburg (12 56 45). Thur in Eindhoven, Schouwburg (11 11 22).

Scheveningen Circus Theatre. Holland Operetta in Im Weissen Rössl by Ralph Benatzky, conducted by Patrick van Opstal and directed by Kees Roos (Tue, Thur matinee). (55 88 00).

ITALY

Rome: Teatro dell'Opera. Sylvano Bussotti's Fedra, based on Racine's tragedy produced and designed by the composer and conducted by Jan Latham Koenig. In the cast are Helene Mosetti, Eleonora Jankovic and Aurio Tomicic. (Fri). Also Richard Strauss's Salome produced and conducted by Gustav Kuhn, with Gertrud Hiestermann, Lia Frey-Rabine, Elizabeth Glauser and Peter Weber (Sun). (46 17 55).

Milan: Teatro Nuovo: Three ballets: Five Tangos (music by Astor Piazzolla and choreography by Hans Van Manen), Pas De Deux, danced by Luciana Savignano, and Bolero (choreography by Maurice Bejart). (41 62 60).

Reggio Emilia: Teatro Romolo Valli: La Scala Opera Company in Rimsky-Korsakov's Tsar Saltan (sung in Russian) conducted by Vladimir Fedoseyev and produced by Luca Ronconi (with sets by the architect Gae Aulenti). In the cast are the notable Gorla Sandrelli, Juri Marusin, Barbara Madra, Bernadette Manca die Nissa and Aldo Bramante. (Fri). (37878).

Genoa: The Salzburg Opera's highly successful production of Richard Strauss's Elektra sung in German with Italian sub titles, conducted by Christian Thielemann and designed by Siegwulf Turek, with Janis Martin in the title role (Fri). (589329).

Florence: Teatro Comunale: This year's Maggio Musicale opens with Benjamin Britten's Peter Grimes, sung in English with Italian sub titles and conducted by Spiros Argiris and designed by Jean-Pierre Ponnelle. The cast includes Jacques Trussel (Peter Grimes), Pamela Coburn (Ellen Orford), and Thomas Stewart (Balstrode) (27 79 236).

WEST GERMANY

Berlin, (Deutsche Oper). Fidelio, in Gotz Friedrich's production features Deborah Polaski, Barbara Vogel, Gerd Feldhoff and Gerd Brenneis. The cast of Manon Lescaut is admirably led by Nelly Kabaivanska, George Fortune and Giorgio Merighi. Der Fliegende Hollander brings Deborah Polaski, Gerd Brenneis, and Victor von Halem together. Der Troubadour, conducted by Stefan Soltes, closes the week.

Hamburg (Staatsoper): Die Meistersinger von Nurnberg convinces, thanks to Helen Donath, Kurt Moll and Franz Grundheber in the leading parts. Also Schwanensee, a guest performance of the Leningrad ballet.

Cologne, Opera: Der Barbier von Sevilla returns with Gino Quilico, David Kuebler and Edith Kertesz-Gabry. Das schlaue Füchslein, with Eva Tamassy and Roland Hermann, will be conducted by Gerd Albrecht.

Frankfurt Opera: Tosca is led by Galian Savova, Marianne Rorholm and Ingvar Wixell. Le Nozze di Figaro is a well done repertory performance with Hildegard Heichele, Wolfgang Schone and Tom Fox.

Bonn Opera: Last weeks' premiere of Die Meistersinger von Nurnberg, with a star-studded cast led by Rene Kollo as Stolzing, Bernd Weikl as Sachs and Lucy Peacock as Eva, proved a sensation. The orchestra under Gunter Schneider more than excelled itself.

Munich, Bayerische Staatsoper: Simon Boccanegra is sung in Italian with Carol Vaness, Piero Cappuccilli and Kurt Moll. The Magic Flute leads are Edith Mathis, Martti Sahninen and Claes H. Ahnsjo. Tannhauser has Julia Conwell in both parts as Venus and Elisabeth, Kurt Moll and Spas Wenkoff.

Saleroom/Antony Thorncroft

Pipe not to be toyed with

A pipe to be toyed with rather than smoked came up for sale at Sotheby's yesterday. It was an exhibition Meerschaum, probably carved in Austria around 1885. It would be difficult to recognise it as a smoking implement: it looks much more like a Renaissance ivory carving.

The decoration on the pipe is actually based on Byron's poem "Mazeppa" and shows that worthy strapped to the back of a stallion as retribution for an intrigue. This remarkable object sold for £8,000 to the Tabak Museum of Vienna.

The top price of the day at Sotheby's was the £110,000 paid by the London dealer Bobinet for a Charles II ebony veneered bracket clock made around 1680 by Joseph Knibb of London. The price was double the estimate, probably because the dial is beautifully made.

Time pieces of a very different water were on offer in New York when Sotheby's got round to disposing of Andy Warhol's collection of watches, along with jewelery. Warhol was an insatiable buyer of gaudy watches, buying them by the hundred, the more bizarre the better, and among the items sold yesterday were a stainless steel character watch, made in 1948 with movie star Gene Autry on the dial for £994, (as against an estimate of around £30), and three plastic quartz watches, showing such characters as Fred Flintstone and bought at Bloomingdales, for £1,404, as against a £60 forecast.

Among the better watches a gold Patek Phillippe of around 1950 sold for £7,606 and a silver, gold and jade art deco cigarette case, incorporating a time piece, made by Cartier around 1930 realised £5,559.

Warhol was equally obsessed with jewelery, which he tended to wear invisibly under his clothes, and a pair of ruby and diamond "honeycomb heart" ear clips, designed around 1954 by Salvador Dali, sold for £29,255 and a Dali pendant of gold, garnet and diamonds also far exceeded estimate at £25,255. All told Wednesday added over £900,000 to the Warhol total, with the money going to aid the world of art.

Back in London Sotheby's sold architectural drawings, an increasingly popular market. Two designs by Edward Francis Burney, illustrations for a history of astrology written by the artists uncle Charles Burney, and incorporating signs of the zodiac, both made £14,300, as against £8 18s 6d each in 1932.

Christie's in Scotland had its best ever furniture sale in Glasgow, bringing in £415,557 with a top price of £26,400 for a set of fourteen George IV mahogany dining chairs. Down in Somerset Lawrence of Crewkerne was offering much better pictures than it usually handles, and produced a total of £209,700.

FINANCIAL TIMES

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Friday April 29 1988

New rules for the City

TODAY IS A-Day, the key implementation day for Britain's Financial Services Act 1986. It is many months behind the original schedule, and various important provisions are being further deferred to future dates over the next two years. However, the level of investor protection in the UK will improve significantly from today and a framework has been installed which can be further developed and improved.

Yet the erratic nature of the political process has been demonstrated by the last-minute decision by the Department of Trade and Industry, three days before A-Day, to force the disclosure of life assurance commissions, at any rate by the beginning of 1990.

While this is an admirable decision in itself, it should have been made two or three years ago. By playing along for all this time with the life assurance industry's proposals to impose a commissions cartel and to avoid direct disclosure to customers, the Government has encouraged thousands of companies and sole traders to make important business decisions on the basis of what may now prove to be entirely false assumptions. The balance between independent status and company representative status may be significantly tilted towards the latter. But the industry has until 1990 to readjust.

Chairman replaced

Another shadow has been cast by the recent decision to replace Sir Kenneth Berrill, the first chairman of the Securities and Investments Board, the top regulatory body. Sir Kenneth will survive in office for a month after A-Day but he will not have the opportunity, which he sought, to oversee the full implementation of the new framework. Officially his replacement by the ex-Bank of England executive director Mr David Walker implies no shift of policy, but nevertheless change is in the air.

Attitudes at the DTI have wobbled one way and then the other. At first, to encourage the participation of practitioners, the self-regulatory aspects of the proposed legislation were stressed. Later the lawyers arrived in numbers and voluminous rulebooks were drawn up, a process which was encouraged by the Government ahead of a general election in which it feared (unnecessarily as it turned out) that financial scandals would become an issue.

Rules or principles

Sir Kenneth has blamed the DTI for the complexity of the new regulatory system. He may be justified, but perhaps he should have resisted the bureaucratic pressures from Whitehall more energetically. At any rate, with the arrival of Lord Young at the DTI after the election, the atmosphere changed once again, and thick rule-books suddenly went out of fashion.

There is now even talk that the SIB's detailed rules should be scrapped, to be replaced by a set of general principles. Curiously, this would not require amendments to the Act. The rule-books of the self-regulatory organisations would remain, but would be judged flexibly in relation to those principles rather than measured word-by-word against the text of the SIB's manual. Meanwhile some City of London practitioners are looking forward to the time, perhaps two or three years out, when it may become practical to propose legislative changes, including drawing the teeth of the controversial Section 62 which relates to the right of investors to take legal action against firms which have breached SRO rules.

It would be wrong, however, for the pendulum to swing back too far towards cosy City self-regulation. Some of the key clauses in the Act were inserted after keen debate in parliament and it was certainly not the intention of MPs that the SIB should be in some way subordinate to the Bank of England. The emphasis should be on investor protection, and it is encouraging in this respect that the Government has corrected one of the Berrill regime's major mistakes at the SIB by insisting on transparency in life assurance.

The task now is to monitor the impact of the new regulatory framework and make sure that it is properly meeting its objectives. But it is no disgrace that the balance in implementing such a complex and sophisticated piece of legislation as the Financial Services Act should not have been got quite right the first time.

Deadlock in the ferry dispute

ONCE AGAIN, a British industrial dispute has reached the stage of a company withdrawing from labour agreements and trying to circumvent the resulting strike, a union being threatened with the seizure of its funds in the High Court and policemen being called in to prevent the outbreak of violence on a mass picket line.

It is hard to believe there are not better tactics in the face of industrial change than those adopted by P&O European Ferries and the National Union of Seamen following their failure to agree cost-cutting measures in preparation for a new era of competition to cross-Channel services from the Channel Tunnel. Inevitably, both sides say they had no choice.

P&O argues that it faced an intransigent union which failed to recognise the urgency of the need for change, including 362 redundancies among its 2,300 seamen and more intensive shift patterns. It is trying to re-start services using those who have abandoned the strike and has announced it will no longer recognise the NUS.

Threat to survival

Leaders of the NUS say the dispute represents a threat to its very survival. Its membership in the deep-water sector has already been undermined by the "flagging-out" of many British ships; it now sees itself facing a challenge in the area of its remaining strength by a company unwilling either to negotiate seriously or go to arbitration.

Yet even the seamen who remain on strike in Dover admit that some new working practices are required in the face of changes ahead. The opening of the Channel Tunnel in 1993, the ending of lucrative duty-free sales and the imposition of value-added tax on ferry fares, as part of the harmonisation of the European market, are recognised as real threats.

Unhappy sequence

An unhappy sequence of coincidences and misunderstandings has conspired to squander the potential for peaceful compromise. A strike started early on in the negotiating process because P&O employees were caught up in a separate dispute over changes in working practices between the NUS and the Isle of Man Steam Packet Company.

P&O then proved unable to draw the union's leadership back from treating the dispute as a long-awaited final showdown in the ferry sector. The prophecies of Mr Sam McCluskie, the NUS general secretary, that the union risked the loss of its negotiating strength may have proved self-fulfilling within P&O by provoking the company into withdrawing recognition.

The company apparently underestimated both the resistance that its proposals would provoke from its employees, and the internal pressures Mr McCluskie would face. Its early hope that Mr McCluskie could deliver the assent of local union activists turned first to irritation and then to exasperated defiance when it turned out to be false.

The result has been a confrontation that will certainly not help the union, and may not even benefit the company. In the case of the clash between Mr Rupert Murdoch and the print unions at Wapping, the company's strategy depended for its success on the crossing of picket lines by employees who were paid to do so. For P&O, matters are not so simple.

Unless the NUS picket lines simply melt away, P&O will not be able to resume a normal service – taking passengers as well as freight across the Channel – unless it can persuade its customers to go to the trouble of crossing them. The prospect of such harassment is unlikely to encourage those with an alternative to travel by P&O, and there are several alternatives available.

The likelihood of a clear-cut victory is not so great that P&O can completely rule out the possibility of ever negotiating with the NUS again. Given that, it is in the interest of both sides to explore whether there is a last chance of compromise through renewed negotiation, or even arbitration.

It would be discouraging if their joint failure to negotiate new working practices – despite the recognition by P&O's employees of the problems their company faces – became another sad example of British unions and managers proving unable to cope rationally with the pressures of competitive change.

Stewart Fleming, in Washington, examines the changing priorities of US electors

Hope dawns for the Democrats

FOR MONTHS, Republicans have been sniggering behind their hands as they have watched the Democratic Party try to choose the man who will lead them into November's presidential election.

But Governor Michael Dukakis's sweeping victories in primary elections in New York and Pennsylvania over the last two weeks have wiped the smiles off Republican faces and are beginning to change the image of a party which in the past has been perceived by voters as a fractious amalgam of competing interest groups.

Polls indicating that Mr Dukakis would beat Vice President George Bush in a presidential election suggest that the Republicans were premature in rejoicing, earlier this year, at the Democratic party's discomfiture. That is not all. Both Republican and Democratic political analysts are coming to the conclusion that November's election could be as close as that between Richard Nixon and John Kennedy in 1960.

The past weeks have been a reminder of just how suddenly the political climate can change. A month ago, after the Rev Jesse Jackson, the black Democratic candidate, won the Michigan caucuses, many Democrats believed their July nominating convention risked turning into a prime-time advertisement for the party's traditional disarray – perhaps even into a rerun of the chaotic 1972 convention which nominated Senator George McGovern.

It looked as if neither of the remaining white candidates, Mr Dukakis and Senator Albert Gore of Tennessee (who has now withdrawn from active campaigning), would arrive at the convention with enough delegates to claim the nomination on the first ballot. The result might have been a public wrestling match with Mr Jackson – a man who is, for many Democrats, too left-leaning, but who has accumulated more votes in the primary campaign than any other candidate except Mr Dukakis.

But today, Democrats are claiming that the mood in the party has changed abruptly. Even a Republican analyst such as Mr Kevin Phillips, a former adviser to Richard Nixon, argues that the Republicans should be concerned about their prospects in November: "The Democrats may be in the process of putting together their first coalition which moves beyond the issues agenda of the 1960s and 1970s."

Mr Norman Ornstein, a political scientist at the American Enterprise Institute, a Washington think-tank, identifies a new mood in the US. He suggests American voters are beginning to focus on a range of slowly emerging issues – a mixture of family and economic factors, ranging from drugs and child care to education and the international competitiveness of the American economy – which are different from the issues which have helped to make the last 10 years a mainly Republican decade.

But will it be the Democrats, rather than the Republicans, who use these issues to their political advantage? And will the new issues take precedence, in the minds of the electorate, over the traditional concerns about peace and prosperity?

On the face of it, five years of economic expansion under President Reagan and a second *détente* with the Soviet Union should work in favour of the Republicans.

But Mr Kirk O'Donnell, President of the Centre for National Policy, a Democratic party think-tank, says that a key for the Democrats could be the anxiety about the economic future which is being reflected in the opinion polls. "The Democrats have got to get the focus on the future, the Republicans have got to keep the focus on the past."

In contention: Governor Michael Dukakis, the Reverend Jesse Jackson and Vice President George Bush

Mr O'Donnell is not alone in believing that the Democrats' chances of shifting the focus to the future are far better today than they seemed a few months, or even a week, ago.

A Republican public opinion pollster says that, when the public was asked after the 1984 presidential election which party had the best ideas for the future, the Republicans came out with a lead of around 20 percentage points. Today, a similar question asking for the party with the best ideas for the 1990s produces a small Democratic lead. "The Democrats have made tremendous strides in picking up their credibility" with the electorate, he says.

Paradoxically the disorderly electoral process which has finally thrust Mr Dukakis to the fore, and which Republicans were so enjoying, may turn out to to have helped the Democrats.

It has allowed Mr Jackson to make a truly historic breakthrough for a black politician. It gives him the opportunity to energise a traditionally solid Democratic constituency, the blacks, in November. No less importantly, Mr Jackson's success, and his unrivalled charismatic appeal, has helped the public to identify his party with a number of those newly-emerging issues which could influence the outcome in November – the fight against drugs, child poverty and the problems of the working-class poor (both black and white).

A few months ago many Democrats were very worried about whether Mr Jackson would campaign for the Democratic ticket in November. In 1984, when he ran an insurgent campaign against former Vice President Walter Mondale and lost, neither side was able to do much more than reach a polite truce before the presidential election.

This year however, Mr Jackson is presenting himself as the party healer, not the rebellious outsider. Mr Dukakis too, recognising that without party unity he cannot expect to win the White House, has studiously avoided friction with the Jackson campaign.

Mr Dukakis faces a formidable test of his political legerdemain in the weeks ahead, first as he continues to compete with Mr Jackson in the remaining primaries and then as he makes the difficult choice of whom to select as his vice-presidential candidate.

It is widely assumed, and hoped by moderate Democrats, that Mr Jackson will not claim the vice-presidential slot for fear that his presence on the ticket will give it too liberal a tilt and damage the party's prospects. He would undoubtedly be blamed for any loss and it could set back his own (and any

> **The election could be as close as that between Nixon and Kennedy in 1960**

black candidate's) prospects of winning the presidency in the future.

But whilst satisfying Mr Jackson, strongly positioned on the left, Mr Dukakis must simultaneously unite the right of the party. Since 1984, the powerful southern Democrats in particular have been arguing that the party is courting another electoral disaster in the South if it once again presents the American people with a ticket with a northern liberal bias.

Mr Dukakis is being advised to choose a southern conservative running mate, perhaps a man like Senator Sam Nunn (if he will accept the position) who can give the ticket the credibility Mr Dukakis lacks on foreign policy and national security issues; or Senator Bob Graham of Florida or Senator Lloyd Bentsen of Texas who might help him win important states in the south. Others argue that the states of the Pacific coast will present the Democrats with the best election prospects outside their traditional industrial strongholds of the north east and mid-west; that suggests the choice of a running mate from the west coast.

Such tactical considerations could be decisive in a close election. But what grounds are there for believing that Mr Bush, the loyal legatee of the Reagan economic record, will find himself fighting for the last few crucial votes in November?

There is nothing in his record to suggest that he will outshine even the often pedestrian Mr Dukakis on the stump. He will have to fend off barbs about the Iran-Contra scandal as he tries to exploit Mr Dukakis's vulnerability in foreign affairs; and on domestic affairs he will find himself up against an experienced television debater who has a technocrat's knowledge of the roles of state and federal Government.

Second, as a member of the administration in office, Mr Bush is a potential victim of any further political setbacks Mr Reagan may suffer at home or abroad. For example, he cannot be feeling pleased either with the recent rise in interest rates and signs of acceleration in the pace of inflation, or the continuing controversy surrounding Attorney General Ed Meese. Indeed his aides are suspected of trying to force Mr Meese to resign.

At the same time, it is far from clear that Mr Bush he will get much of a boost from any political victories the President may score – for example an arms control accord with the Russians. As Mr Ronald Brownstein wrote recently in the National Journal "on arms control and relations with the Soviets, public opinion is moving towards a bi-partisan consensus that defuses the issues' political impact." Thus, although the Reagan legacy has stood Mr Bush in good stead with those who vote in Republican primaries, it will be less of an advantage in November.

Polling data suggests, indeed, that many Americans, aware of the flood of foreign imports and investment, sensitive to the debate about their nation's long term decline as a world power, and increasingly identifying American strength with economic rather than military power, are not as impressed with the Reagan record as they once were. This is one reason why Democratic presidential candidate Mr Richard Gephardt's "economic nationalism" struck a chord with voters.

That a dry historical book such as Professor Paul Kennedy's The Rise and Fall of the Great Powers should be at the top of the non-fiction best-seller list surely says something about how Americans see themselves. The message is not a reassuring one for Mr Bush: the simple "peace and prosperity" record which he is presenting to the voters may not be the powerful electoral magnet some Republicans hope.

Alongside the changing perceptions of the relevance of the Reagan Administration's successes, there is a growing awareness of the possible importance of the Reagan Administration's failures and omissions, particularly in the area of social policy.

Democrats are not making the mistake of framing these issues in the 1960s terms of income redistribution for the poor. Mr Dukakis is presenting the challenge in terms of the need to invest in human capital, to create economic opportunity and good jobs for all. In this way his message includes not only the indigent in the ghettos who can be made into productive contributors to the national weal, but also the growing number of working-class voters who feel economically insecure.

The recent passage in both House and Senate committees of legislation to reform the welfare system, the likely passage this year of legislation to provide catastrophic insurance for the elderly, the increasing attention being paid to the issue of national health insurance for the 37m Americans who have no health coverage whatsoever and the focus on the importance of day care and education to the national economy – all are signs that national priorities are shifting to concerns which have not been adequately tackled during the Reagan years.

It is of course, by no means a foregone conclusion that the Democrats will be able to shape this particular debate to their political advantage. Their task will be particularly difficult if Mr Bush succeeds in his efforts to portray Mr Dukakis as an old-style liberal Democrat lacking expertise in foreign policy – a man who represents not the future but the failed policies of the Democratic past.

Mr Dukakis has not yet presented a convincing programme for tackling the Federal budget deficit, without which even modest changes in Federal priorities will be difficult. Neither has Mr Bush. He has signalled his awareness of the changing political climate, however, by saying he wants to be known as "the education President" – in succession to a man who came into office committed to the abolition of the federal Department of Education.

In such ways, Mr Bush can add nuances to his inheritance from Mr Reagan – enough, perhaps, to give him the best of both worlds come November. Already, however, the Democrats can congratulate themselves on one achievement: the assumption that Mr Bush and his Republican Party will start the election campaign with a distinct advantage no longer looks as convincing as it did a few weeks ago.

OBSERVER

Elected Lord Mayor

■ One of the subjects on which David Owen, the leader of the Social Democratic Party, is an authority, along with nuclear defence and the health service, is London's Docklands. He has lived there for years.

Owen notes that the commercial development of Docklands is proving a huge success. The social development so far is disappointing and the political development non-existent. He is proposing a radical formula.

There should be, he says, a directly elected executive Lord Mayor of the new City of London. The electorate would be composed of the present City of London, the boroughs of Tower Hamlets and Newham, and possibly Southwark. Each of them would elect four board members and the new authority would have an exceptional power to raise revenue from commerce for joint projects.

Owen insists that the elections should be by proportional representation. But that is a detail. On the broad theme he is right. The Docklands are a political and social limbo. One day the politics will have to catch up with the commercial take-off, and what is wrong with having a directly elected City Lord Mayor?

Lament for Lloyd's

■ Stephen Merrett is best-known in the Lloyd's of London insurance market as a rich, powerful, enterprising but moody underwriter who insured two Indonesian satellites that went astray in space in 1984. Now he has ventured into the world of music.

His company, the Merrett Group, has sponsored a recording of Richard Strauss's Four Last Songs by Heather Harper and the London Symphony Orchestra. Harper, it turns out, is one of the "names", or underwriting members of Lloyd's, whose affairs are looked after by Merrett's staff.

Lloyd's watchers are wondering whether there is any significance in the choice. As the storm-clouds gather over Lloyd's once again, and it reels from the impact of price-cutting by marine and aviation insurers and faces huge new liability insurance claims as well as an anti-trust suit in the US, Merrett could be feeling gloomy.

Still, the *Vier Letze Lieder* is taking it a bit far. Composed in 1948, when Strauss was 84, the songs are a sombre Teutonic threnody in which the singer contemplates imminent mortality. *Ist dies etwa der Tod?* – is this perchance death? – runs the last line.

Sweet definition

■ Those involved in some current takeover bids might like to know that a new ruling on the taxation of confectionery comes into effect on Sunday. HM Customs and Excise state that relief for cakes and biscuits not wholly or partly covered with chocolate will be maintained.

Chocolates and sweets, drained, glacé or crystallised fruits and any item of sweetened or prepared food which is normally eaten with the fingers will be subject to VAT at the standard rate. That includes all cereal bars.

Shallow excuse

■ The East Germans knew what no one here knew about water polo long before the Amateur Swimming Association imposed its ban on national league games in an attempt to winkle out English players who had toured South Africa.

The East Germans, with some of the finest swimmers in the world, don't play water polo because they say that it is too political, according to Bob Davies, chairman of the National Water Polo League. "They believe the referees can be bought," he said.

"I need to know if you've been to South Africa recently."

The Yugoslavs have no such fears. They made themselves the Olympic favourites by winning the last world championships, beating Italy in the final.

Great Britain does not have an Olympic team and has not had one since Melbourne in 1948.

The problem is that we have too few deep-water pools measuring anywhere near the international dimensions of 20 metres by 30 metres and two metres deep. This is tough on the smaller clubs since the rules say that players cannot touch the bottom. Three feet of water in the shallow end leaves little room for manoeuvre.

We do have some good club teams, however, including London Polytechnic, Nova, of Nottingham, and Hammersmith Penguins, all of which are believed to have contributed international players to the tour.

There had been talk of beating the ban by converting Saturday's league matches to friendly games, then awarding points when all the fuss had blown over, but the ASA heard about that and clamped down on the referees, who are pretty honest people really, despite what the East Germans say.

McMahon's pull

■ Sir Kit McMahon may have given a new direction to Midland Bank, but his own sense of direction is not perfect.

After attending a gathering of Midland bank managers in Birmingham this week, he dashed down to the station to catch the train to London. Only as the train was leaving the platform did he discover he was on the wrong one; in a panic he pulled the communication cord and jumped out. McMahon was last seen in the company of some stern-looking British Rail officials.

Butterfly tummy

■ The appearance of an orange-tipped butterfly high up on the exterior of St Paul's Cathedral Choir School has been puzzling passers by. It was put there by Michael Peyton, clerk of works, to brighten up the rather drab walls outside his flat.

He bought it for £35 in the village of Trefriw near Corwen in Wales, where a one-man operation has been so successful that the Corwen area has become smattered with the creatures which have polypropelene bodies and galvanised wings.

Peyton said: "I thought about putting it on the dome of the cathedral, but the logistics of getting it there were a problem and someone might have objected."

US diplomacy

■ General Vernon Walters, the US permanent representative at the United Nations, made a slightly risky political comment when he was visiting President Sarney of Brazil this week.

Cuba, he said, is one of the most international countries in the world. "Its administration is in Havana, its Government in Moscow, its army in Angola and its population in Florida."

POLITICS TODAY: Joe Rogaly

A tiny increment for the invisible people

CONSERVATISM does have a conscience, but it is an elusive beast.

Some British Government ministers give the impression that it is as deeply buried in their party's psyche as it was in the tortured subconscious of Ebenezer Scrooge, and as hard to extract. It has not made much of an appearance this week, in spite of the Government's "capitulation" to its backbench rebels.

For after considerable huffing and puffing a grand total of some £100m has been added to a social benefits budget of £48bn. This amounts to 0.2 per cent. It measures not the Tory conscience, or the actual social need, but merely the minimum amount necessary to quell a minor political disturbance. It reminds me of the photograph of the Prime Minister squinting and holding her thumb and index finger in close proximity to one another over the minuscule concessions she once made on sanctions against South Africa.

To the naked eye that space between thumb and forefinger is hard to discern – which is appropriate, since what we are talking about here is a segment of the population that some members of the Government have great difficulty in seeing. Their focus is uplifted towards the successful and those who strive to be successful. There is a praiseworthy desire to enlarge this visible section of the population as much as possible, partly by inducing people to be less dependent on taxpayers' support. Those who are out of work, or lightly disabled, or retired, or committed to the feeding and housing of large families, may join the successful majority, if they have the spirit and the energy to do it. This is of course highly desirable.

The picture is spoiled by the fact that the rest of the poor are treated as if they were invisible. Some of them are elderly widows who subsist on state pensions and will die before the new era of well-funded private pensions has been established. Others are long-term unemployed manual labourers from whom all the fight has long gone. Yet others are single parents with a squabbling brood. There are many varieties of invisible. What they have in common is the lack of ability to drag themselves out of dependency. We are stuck with them. We should treat them decently.

Few of the invisibles will be helped by Wednesday's 0.2 per cent alleviation of one or two of the rough edges of the new social welfare system which came into force earlier this month. Most of the money will go to people who have savings worth between £6,000 and £8,000, or those for whom the new housing benefit rules mean a loss greater than £2.50 per week. They are likely to be retired folk who were at least moderately successful and prudent; many are Conservative voters. Their protests to their MPs at the cut-off of housing benefit at a level of £6,000 in savings lay behind the intensity of the unrest on the Tory benches this week.

But as Mr Frank Field, the Opposition MP who knows the most about social security, patiently explained, the new money leaves many people still worse off by £2.50, plus the 20 per cent of domestic rates that every householder must now pay. To an invisible person £2.50 is a serious sum of money; a fifth of the local rate bill can seem catastrophic. When all the arithmetic is done it will almost certainly be seen to be the measure that has hit hardest.

There is a good reason for this. The Government wants the poor to pay towards the rates so that they can experience the financial consequences of voting for "high-spending" councils (that is, councils that spend money on the poor). It has increased social security payments, now called income support, by the equivalent of the average amount necessary to cover 20 per cent of the rates. Due to its myopia it has failed to appreciate that within that average the highest rates will be paid by people who live in the areas where there are the most poor.

Thus the 20 per cent on the rates hits the worst-off in two ways: first by extracting sums from them that are larger than the averaged-out additions to income support and, second, by expecting people who paid no rates until April 6 this year to budget their weekly incomes in a manner sufficient to cover what for them are large new imposts. This is likely to prove beyond the capacity of many of the invisibles.

On top of that, people on income support will pay the full water rate, with no rebate, for the first time this year. This, too, is supposedly accounted for in the weekly handouts. It is, however, a blow at least as severe as the one on domestic rates: it is likely to double the adverse effect on many budgets.

There are other jagged edges to the new social security system. One of the most perverse is the rule that abolishes most one-off payments for urgent needs – children's shoes, a bed to replace a fire loss – and offers loans in their stead. As with all the rest of it there are sound intellectual and broad-fiscal reasons for the change (one-offs were being abused and the bill was growing fast) but the implementation is likely to prove as clumsy as you would expect from those who cannot see.

This social blindness afflicts several ministers, including the Secretary of State for Health and Social Security, Mr John Moore; the Chancellor of the Exchequer, Mr Nigel Lawson, and the Prime Minister, Mrs Margaret Thatcher. All of them sat in the special ad hoc committee set up to agree this week's offering to the disaffected Tory backbenchers. Mr Moore's focus has long been on the reduction of dependency. Mr Lawson agreed to £100m from the contingency fund and not a penny more. Mrs Thatcher said that the effect of the ceiling on housing benefit had now been made plain to her by her own postbag; why had this not been drawn to her attention before? The noise outside that may have been heard at this moment could have been Mr Peter Walker expostulating that he had indicated just where the shoe would pinch when the new scheme was agreed in 1985.

For Mr Walker is one of the ministers who does see the invisibles. So, I gather, is Mr John Major, the Chief Secretary to the Treasury, although he had to sit tight behind the Chancellor this week. When he was in charge of social security, he came up with a salve for backbench consciences that had been stirred by a certain meanness over cold weather payments and stories about the homeless sleeping rough in London. That was in January 1987, and Mr Major has hardly looked back since. The most clear-sighted of them all is Mr Nicholas Scott, the present Minister for Social Security and the Disabled. He put this week's package together inside the ministry and helped to soothe Tory backbenchers by selling it to them as the best that could be done. Perhaps, like Mr Major, he will be rewarded by promotion, although he does not have the youth and evident political aggression of the latter on his side.

Mr Scott's original package included a further vital element: a reduction in the "taper", or the rate at which rent rebates are withdrawn as income increases. The Treasury would not sanction the further £46m it would have cost to ease this particular poverty trap, nor was Mrs Thatcher's postbag powerful enough to produce any similar relief on domestic rates. She may come to regret it. The taper will be more widely understood as the summer post comes in. It is a strong runner for relief in the autumn.

The full extent of any social welfare relief will depend at least in part on the state of the Tory conscience at the time. If you listen to Mrs Thatcher, Mr Lawson and others such as the Education Secretary, Mr Kenneth Baker, who made the point at a Bow Group dinner this week, the very poor should be helped by private charities as well as taxpayers' money. Mr Lawson has introduced some tax reliefs to encourage private giving to deserving causes, and a ministerial campaign of exhortation to both wealthy individuals and companies to meet their social responsibilities in this way is now becoming apparent. That energetic outsider Mr Michael Heseltine has joined the bandwagon.

The unanswered question is whether charities will ever have sufficient money to meet the needs of all the invisibles. In cases of highly specific needs, such those of certain severely disabled people, or, say, haemophiliacs, charities may be more flexible and sympathetic than the equivalent officials. But the Home Secretary, Mr Douglas Hurd, put the counter-proposition best in a speech to his constituency party a few weeks ago: "voluntary effort," he said, "is a means by which the cracks left in bureaucratic schemes can be filled in . . ." Mr Hurd, whose recent speeches on the desirability of social "cohesion" can be read as support for a reasonable level of social expenditure, was quite clear about the role of charity on this occasion, pointing out that "successful people owe their fellow citizens a share of their time and money voluntarily given as well as another share of their money compulsorily taken in taxation." Few could disagree with that.

It could be that all these leading Conservative ministers are saying the same thing, with the balance given to charities varying according to temperament. Some of them are certainly unrealistic about the extent to which charitable effort could or should replace taxpayer-funded welfare. What they undoubtedly have in common is a sense of unease, which is most apparent when they take umbrage at attacks by churchmen on the Government's policies. If Tories had no conscience, they would brush aside episcopal criticisms of their policies. Some of these may be less temperate than others, but the general drift, surely, is that it is in the Christian tradition to help the poor.

This is understood in the Conservative Party, even if there is a division between those who would follow that tradition through taxation and those who prefer the charitable route. But it is here that the Conservative conscience can be found. "We are interested in creating wealth," says Mr Hurd, "not only to put money into the pockets of individuals but also to finance a steadily improving standard of public service . . ." Whether this includes service to the invisible fifth of British society remains unclear.

Lombard

Company-speak in Germany

By Haig Simonian

WEST GERMANY's company reporting season has kicked off again; barely a day passes between the annual results of one household name and the next. But for all their variety, renowned German enterprises like Daimler-Benz, chemicals groups like Hoechst, or financial giants like Allianz and Deutsche Bank, all have one characteristic in common. When it comes to language they are virtually indistinguishable.

In Germany, two words – *befriedigend* and *zufriedenstellend*, which both mean "satisfactory" – say it all. They are the most over-used terms in the German corporate vocabulary. To judge by most executives' speeches – and their companies' handouts to shareholders – nothing ever happens in the corporate year that is anything other than "satisfactory."

In the past month alone, the country's big three banks, whose partial group operating profits fell by between 7 and 16 per cent, all described their results as "satisfactory." Much the same applies at a whole range of other industries.

Profits may occasionally be "unsatisfactory," or possibly even "below expectations," but it is rare indeed for a German concern to say things have ever been "bad." Even Porsche, the luxury sports car producer whose turnover and production have plunged because of the strength of the D-Mark against the dollar – and the very conspicuous fall in sales following the crash of October 1987 – has fought shy of being too literal. Earlier this year Mr Heinz Branitzki, Porsche's new chief executive, admitted that its results would not be in the red but would not be "bombastic" either. Even that relative candour was toned down later when the group said it was hoping for an "acceptable result" this year.

But German companies' reticence is almost as strong when times are good. In February, Bayerische Hypotheken-und-Wechsel-bank (Hypobank), the country's sixth biggest bank and a gem in its financial system, astounded observers by raising its profits at a time when earnings elsewhere were plummeting. Even then, all Mr Wilhelm Arendts, its affable chief executive, could manage was a small smile. The results warranted "a certain adjective, which goes beyond good," he admitted under pressure.

One learns to watch for the nuances. Thus Deutsche Bank's results were "still satisfactory" (*noch befriedigend*) according to Mr Wilhelm Christians, its joint chief executive. Commerzbank's better earnings were "perfectly satisfactory" (*durchaus befriedigend*), according to Mr Wolfgang Seipp, Mr Christians's counterpart.

When the year just passed has been less than satisfactory, any canny chief executive can turn the tables and simply look ahead. Corporate prospects next year, the outlook for the German economy in general – even tomorrow's weather can swiftly be dismissed with just one word: *"positiv."*

Does this kind of company-speak really matter? Japanese groups – in many ways akin to the Germans – function perfectly well with polite reticence in public. But reserve can go too far. In Germany, published financial statements do not necessarily tell the whole story and even a chairman's asides can carry a great deal of weight.

The ultimate loser is the shareholder. Large institutional stockholders like the big banks may get a better crack of the whip, but the feeling persists that ordinary shareholders count for relatively little in most German boardrooms.

In a market where foreign investors in particular still play an important role, German executives may be advised to think about allowing a little more transparency into their results, and a trifle more candour in their comments.

Hostile takeovers remain unknown in Germany. But even the smallest shareholder could be worth courting if that state of affairs should ever change. After all, a year which has been "satisfactory" from management's point of view may be much less so as far as a company's ultimate owners are concerned – even in Germany.

Letters to the Editor

Disclosure of commissions

From Mr William Proudfoot.

Sir, Clive Wolman reports (April 27) my reactions on the news from Lautro (Life Assurance and Unit Trust Regulatory Organisation) that there is to be full disclosure of commission by January 1 1990. I do not object to the report, but through omission of some of my comments a one-sided picture emerges.

To restore a sense of balance, I quote from Francis Maude's statement: "The changes in Lautro's rules...gives time to prepare the way for equivalent disclosure of commission and expenses between independent intermediaries and company representatives." Furthermore, Lautro's own statement reads: "In order to maintain a level playing field Lautro will also review other rules which might, in their total effect, detract from the balance between distribution channels."

The independent market was expecting "soft disclosure of commission." The tied agent and company representative market was expecting to be allowed to disclose nothing whatsoever. The move then to full disclosure, for all sales channels, is a significant blow for those companies selling through a direct sales force or through tied agents.

The fact is that it is cheaper to run a life office selling through independent intermediaries rather than any other route. Acquisition costs are, by and large, much lower this way. This advantage is passed on, particularly with mutual life offices, to the consumer.

Full disclosure of commission and expenses will make the advantage of traditional life offices entirely clear, and the job of a direct salesman all the more difficult.

W. Proudfoot,
Scottish Amicable Life Assurance Society,
150 St Vincent Street,
Glasgow, Scotland

Failure seems to seek reward

From Mr David Hobson.

Sir, Several unit trust managers are imposing substantial increases in management charges, citing Financial Services legislation as the reason.

If the performance of their funds had been better the existing scales of charges would surely have been sufficient to meet these costs, which cannot themselves justify a 50 per cent increase in the percentage charge. Unit holders appear to be required to reward the failure of management to maintain good performance.

I have decided to realise units where managements charges are being increased in this way.

David Hobson,
Magnolia,
Chiswick Mall, W4

'The time will come when you will hear'

From Mr Michael Greener.

Sir, The recent restructuring of the social security system shifts the emphasis away from benefits as of right, toward discretionary payments, or loans, to those in proven need.

It may indeed remove some of the abuses that prevailed under the old system, and is consistent with the preferred pragmatism of the present administration. None the less, while encouraging people to stand more firmly on their own two feet may be a commendable objective, it is perhaps not best achieved by the summary removal of the crutches on which so many have been taught to rely. There is surely a danger here that such changes in approach – of which the promised poll tax is but another example – may prove to be that little bit "too far" referred to by Mr Rogaly (April 22).

One cannot help but feel that the revamped social security system is too close for comfort to the restricted outdoor relief which attached to the amended Poor Law legislation of the 19th century. Might we now anticipate the re-introduction of the Workhouse?

Seconded to the private sector, such habitats could – with similar subsidies – easily prove as profitable as the presently ubiquitous residential homes for the elderly. The Prime Minister is said to be an admirer of Mr Disraeli. The primroses seem to be late this year. Could the father of modern conservatism be trying to tell her something?

Michael Greener,
33 Glan Hafren,
The Knap,
Barry,
South Glamorgan, Wales

Suit the words to the action

From Mr A.W. Mallinson.

Sir, Last week your New York staff reported "another slew of quarterly results from leading US commercial banks," and Lex subsequently said that UK bank lending seemed "heavily skewed to the financial rather than the manufacturing sectors."

My dictionary defines "slew": either "turn or swing from one direction," or "killed." It defines "skew" as "set askew, not in straight line or at right angles, oblique, squint."

Perhaps "skewed" is just permissible; but was "slew" intended to be "slug" with a silent "g" – or "spew"?

A.W. Mallinson,
15 Douro Place, W8

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

Cash performance schemes compared with stock option schemes

From Mr Peter M. Brown.

Sir, The riposte from New Bridge Street Consultants (April 15) to my earlier letter (April 7) suggesting that the equalisation of capital and income tax will lead to an increase in cash performance schemes at the cost of stock options, was hardly surprising.

However, by isolating as a major advantage of the stock option the concealed cost of this type of benefit as it does not impinge on the profit and loss account but simply waters shareholders' interests, they have reinforced one of the weaknesses, not strengths, of stock options.

We believe very strongly that all performance payment schemes should be self-financing out of the additional profits created by each scheme itself. This may sometimes happen in an option scheme, but it is impossible to prove in the way that a cash pay-out scheme can clearly be self-funding.

Since my earlier letter we have had three calls from readers who were previously planning to introduce stock options. These, like our other clients, are now reviewing the situation. This reinforces our view that annual and accumulator cash bonuses are likely to become the "flavour" of the post-Budget period.

Peter M. Brown,
The Reward Group,
Reward House,
1 Mill Street,
Stone, Staffordshire

From Mr Michael Pearce.

Sir, Mr Peter Brown's suggestion that bonuses can replace share option schemes simply because of the equalisation of income and capital gains taxes is, I believe, unlikely to prove true in many cases.

Bonus payments involve cash outflow – developing businesses cannot always afford to pay bonuses. Options granted over new shares do not involve cash outflow.

Bonuses reduce profits – stock option gains usually get "lost" through reserves.

Bonuses are highlighted in published accounts to a far greater extent than the benefit of stock option gains.

Bonuses once paid are forgotten. Share option schemes help to recruit, retain and motivate key employees. They give employees a far greater sense of involvement in the businesses for which they work, and a much more effective way of capital creation.

As share option plans are so extensively used by UK quoted companies – particularly those option schemes which have been approved under the Finance Act 1984 – those employers who do not offer this benefit will continue to be at a disadvantage in the recruiting of staff. Only today (April 7) I received an acknowledgement from the Inland Revenue for the 4,180th such scheme submitted.

Although share prices are relatively low at present, it is at such a time – from the executive's viewpoint – that stock options are best granted.

A phantom stock option scheme can sometimes provide longer term participation, but employees often feel that these plans do not protect their interests in the same way as an orthodox share option scheme, particularly where funds remain with the employer and the rules of the plan can be changed by directors.

To change the more important rules of a share option scheme for a publicly quoted company would generally need shareholders' consent, and so the directors of such companies are unlikely to be able to deprive option holders of their rights under such schemes.

I believe that share option schemes and cash bonus schemes are both important elements in an effective remuneration strategy. One is unlikely to replace the other, but rather both facilities can exist within a remuneration policy to provide short and longer term incentives.

Michael Pearce,
Noble Lowndes Benefit Consultants,
Norfolk House,
Wellesley Road,
Croydon, Kent

FINANCIAL TIMES

Friday April 29 1988

Carla Rapoport and Ian Rodger spotlight Takeshita's UK stop-off on his European tour

Shedding the economic sumo wrestler image

THERE IS more than a little anxiety these days in the corridors around the offices of Japan's Prime Minister and Foreign Minister. The country's most senior bureaucrats are wondering: "What will Mrs Thatcher throw at us this time?"

The question arises because, next Tuesday, Mr Noboru Takeshita, who succeeded Mr Yasuhiro Nakasone as Japan's Prime Minister last November, arrives in London for his first meeting with Mrs Margaret Thatcher, the British Prime Minister, as part of his inaugural European tour.

Sandwiched between visits to Italy and West Germany, the London visit is certain to be the highlight of Mr Takeshita's trip. Mrs Thatcher is something of a heroine to the Japanese, thanks to her strong pro-business attitudes and the re-emergence of Britain's economic strength. However, if recent visits to Britain by Japanese ministers are any guide, Mr Takeshita will be on his guard.

On one such occasion, two years ago, Mrs Thatcher berated the Japanese authorities for having tolerated a sign in front of an Osaka parking lot that warned off foreign cars. The bemused Japanese found that the sign was in fact warning off Japan's organised mob, the Yakuza, who tend to drive Rolls-Royces and Mercedes.

Last year, she berated a visiting Japanese ministerial delegation for Japan's alleged protectionist regulations on rally car seat belts. (The regulations, which had been enforced without anyone realising the foreign trade implications, were quickly changed.)

This time Mrs Thatcher has a couple of well-rehearsed complaints for her Japanese visitor. She has already made clear to Japanese officials that, when Mr Takeshita arrives, she wants straight answers on Japan's plans for reforming its liquor taxes and for easing entry to the Tokyo Stock Exchange for British securities firms.

But to Mr Takeshita the visit goes far beyond Exchange seats and whisky tax. A virtual unknown outside Japan, he hopes to use his London visit to enhance his own international stature and his country's image as something more than an economic sumo wrestler.

Mr Takeshita, a former secondary school teacher from western Japan, is a political animal, best known for his ability to create a consensus among warring factions rather than any ability to lead. He has been mercilessly teased in the domestic press for both mumbling his speeches and obscuring any possible meaning with double-talk and pet phrases. One Japanese political commentator recently compared Mr Takeshita to a squirrel: busy but furtive, always chattering but making no real noise.

This may be so. Compared to Japan's previous Prime Minister, Mr Yasuhiro Nakasone, Mr Takeshita comes up short in both inches and eloquence – but he already seems to be succeeding in a way that his smoother predecessor did not. The prickly issue of tax reform, which had a fatal effect on Mr Nakasone's career, now looks like being settled by the end of the year.

Mr Takeshita has achieved this through patient consensus-building within the ruling Liberal Democratic Party and Japan's many diverse business interests. Although the issue is far from settled, he will no doubt assure Mrs Thatcher that liquor tax, along with the other main tax reform issues, will be satisfactorily resolved within the year.

More important, however, is the fact that Mr Takeshita will be using his London stop to set out a new set of principles by which Japan plans to begin a more active role in contributing to international peace and well-being.

At a speech in London on Wednesday, he will outline the three ways in which Japan hopes to improve its international standing during his administration. As a greater military defence role for the Japanese is still unthinkable, Japan's contribution to world stability will be in the field of more loans and grants to poorer countries through official development assistance.

Also, Mr Takeshita is expected to pledge a greater role for Japan in regional conflicts, such as helping to ensure that the Soviet withdrawal from Afghanistan is carried out. This is expected to translate into sending one Japanese official to assist in monitoring the withdrawals, as well as contributions to the cost of resettling refugees and rebuilding the Afghan economy. This may seem a small step but will represent a significant first for Japan.

Noboru Takeshita talks to the press in Tokyo yesterday

Finally, Mr Takeshita is to stress a new and deeper relationship with Europe. At a news conference before his trip, he held out a triangle, showing Europe, the US and Japan at each point. The link between each two points, he said, should be equal. Since the war, Japan had *concentrated more on its relationships* with the US. Now, it wanted to build up its links with Europe.

"We believe close cooperation between European countries and Japan is indispensable, especially as Europe is approaching integration in 1992. The Community is beginning to play a great role in the international arena. So, it is my intention to deepen the links on all fronts – economic, cultural, scientific and technical," he told European reporters this week.

This final point will probably miss its mark in most European capitals, as the EC's trade deficit with Japan was $20bn last year – up from $16.7bn in 1986. However, Mr Takeshita will be able to respond that Japan's imports from the EC are climbing markedly and continuing to expand.

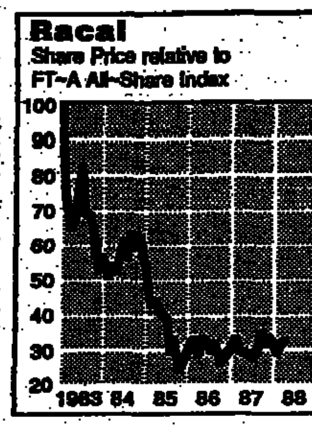
Mrs Thatcher may find these Takeshita initiatives too vague for her liking. For example, Japan's official development assistance still falls well below the OECD average of 0.36 per cent of GNP.

Mr Takeshita may have to do some plain talking and produce some numbers to please his counterparts in Europe. If he does so, he may be able to shed his squirrel skin and develop into the international statesman Japan needs.

THE LEX COLUMN

An alarm call from Racal

Racal's decision to float its telecommunications business looks very much like a pre-emptive strike against an unknown predator. Given the heavy trading in the shares over the past couple of weeks – with more than 10 per cent of the company changing hands yesterday alone – it is hard to accept that the hasty announcement was made simply because word had begun to leak out of the juicy valuations which Goldman Sachs and others had been putting on Vodafone – Racal's crown jewel.



The stock market has been well aware of Vodafone's tremendous growth potential and profitability for some time. It has some 55 per cent of a UK market which is growing at over 30 per cent a year, and profits of £45m in the year just ended should easily top £100m in a couple of years time. What has changed is that Racal, which was valued at just £1.5bn at the start of the week, has decided that it is now time to begin unlocking this hidden value, by floating off perhaps 20 per cent before the end of 1988. The explanation that the move will greatly facilitate the company's plans for the development of pan-European cellular radio relationships does not really stand up; the suspicion must be that Racal is now in a race to realise the value of its underlying assets before someone else does the job for it.

There are several ways of valuing Vodafone, ranging from a straight multiple of over 20 times its earnings to a figure based on the headcount of its potential market. Goldman Sachs, for example, has calculated that based on the admittedly racy US valuations of $120 per head, Vodafone could be worth £1.7bn. Throw in the rest of the telecommunications business, and it is possible to get to a value of well over £2bn for this part of Racal's business alone. Whether this is realistic will be a measure of how well US-style concepts of valuation travel. Meanwhile, it remains to be seen whether yesterday's 29 per cent jump in the *Racal share price will scare* potential predators off, or simply whet their appetites.

ICI

The market certainly has it in for the big international stocks at present. On a day when sterling weakened sharply against the D-Mark, ICI produced figures well up to scratch and appointed Paul Volcker to its board, and the shares fell 16p to 977p. The curious thing is that before the crash, when the outlook for ICI in 1988 was decidedly cloudy, the shares stood at a 5 per cent discount to the market multiple; now, when a good 1988 seems pretty well assured, the discount is nearer 20 per cent.

With volume in the first quarter up by 5 per cent and pricing slightly higher in local currencies, it is again clear that the level of sterling is not yet a problem. As ICI never tires of pointing out, its loss of D-mark competitiveness is largely offset by the reduction in its dollar costs; indeed, the bigger threat may come in the home market, among its industrial customers who are themselves dollar exporters.

Granted, the 16 per cent rise in pre-tax profits compares poorly with the first quarter figures from Du Pont the day before. But the US industry, besides profiting from dollar weakness, went into its rationalisation phase later than the Europeans, is still enjoying the tail end of the benefits. For ICI, with volume up, costs low and the commodity end of the business still working over capacity, full year profits of over £1.4bn still look feasible. The shares will probably come back into favour before too long; but when they do, a whole bunch of overseas earners – BOC, Cookson and above all, poor old Glaxo – will be rediscovered as well.

British & Commonwealth

The recent rapid changes in the shape of British & Commonwealth have made the stock market understandably sceptical and yesterday's switch in the accounting treatment of its goodwill seems *to mark another U* turn. A year ago, B & C was stressing that all that mattered was earnings per share and the strength of the balance sheet was far less important. However, by deciding to *amortise* goodwill through the profit and loss account, it is now prepared to depress its earnings by 10 per cent and its returns on capital will look far less flattering than before. However, it would be unworthy to criticise a decision which sensibly addresses one of the more thorny accounting problems facing service companies.

Indeed, yesterday's near 5 per cent drop in B & C's share price was less to do with surprise at the change in the accounting treatment than with a realisation that B & C is looking far less nimble than *it was in a bull* market. The £30m extraordinary item covering the losses at Keinos is a nasty reminder of the size of losses that can occur when management takes its eye off the ball, and the continuing delays in resolving the future of the wholesale broking division and Bricom show that the reshuffling of B & C's asset portfolio is less smooth than before.

Tate & Lyle

The behaviour of Staley's share price yesterday – up $⅝ to $37⅝, in response to a $2 rise in Tate & Lyle's bid price to $35 – suggests that the offer is getting into the right area. It also starts to look as if the deal, in contrast to more tortuous bids like Beazer's or BAT's, might be resolved fairly quickly. The prospect is not necessarily exciting; Tate's interim figures yesterday were a reminder of the patchy and slightly drab nature of the world sweetener business, and it could be that adding Staley will simply result in more of the same.

From the market's viewpoint, everything hangs on the price, which in turn depends on the unknown sums which Tate could raise for the bits of Staley it does not want. The optimistic view is that on top of the £100m pre-tax, or 85p of earnings, which Tate could make on its own this year, Staley could bring the figure nearer to 110p the year after. At 778p, this would certainly make the shares look cheap. The more pessimistic view still concedes that Tate needs to bring the Staley deal off; it has too many failed bids to its name already, and the existing business, while better run than it was, is hard to get excited about.

Lagos hit by strike as unrest grows

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

NIGERIA'S MILITARY Government was last night facing a serious challenge to its authority as opposition to a recent rise in fuel prices spread to Lagos, the country's main city, where bank employees went on strike.

President Ibrahim Babangida was reported to have summoned security advisers for talks on the unrest while state-controlled Radio Nigeria said security had been increased around the country's oil installations because of "recent developments." There were fears of power blackouts.

The strikers in Lagos, who were joined by insurance company workers, have called for nationwide action and defied the Government's ban last weekend on all demonstrations which was imposed in response to continuing protests against a 3 per cent increase in fuel prices, introduced earlier this month.

Babangida: challenged

Yesterday's action forced most Lagos banks to close, impeding financial activity in the city. There were also reports of isolated strikes in the Lagos area, and many people stayed away from work in Kano and Kwara states.

The continuing angry response to the fuel price increase seems certain to prolong a stalemate in negotiations between the Government and the International Monetary Fund over economic policy.

One of the main issues holding up an agreement, which is essential to Nigeria's continuing efforts to reschedule its $23bn external debt, is the Fund's demand that fuel prices be increased by at least 20 per cent.

The extent of opposition to the Government's modest rise would *appear to make any further* increases highly unlikely.

Nigerian newspapers also reported yesterday that protests, which began in mid-April when at least six people died during riots in the northern city of Jos, were continuing in Kano state.

Thousands of government employees in the state stayed away from work last week, and at least 11 local trade union leaders have been arrested, together with an undisclosed number of, what the Government has called, "mischief makers."

The government-owned News Agency of Nigeria had earlier said that 32 people had been arrested after riots on Tuesday.

Although the ostensible cause of unrest is the rise in fuel prices, many observers believe that it is driven by other factors, including the impact of the economic austerity programme introduced by President Babangida soon after he took office *in a bloodless coup* in August 1985.

Unemployment is high, trade unions have resented a wage freeze enforced until earlier this year, and the country's middle *class, which includes army* officers, has seen its standard of living sharply decline.

Ford makes record profits worldwide

By Anatole Kaletsky in New York

FORD, the second-largest US motor manufacturer, made record profits on its worldwide operations in the first-quarter, despite a significant decline in the key home market.

A doubling of net earnings outside North America, assisted by translation benefits from the falling dollar, more than made up for the lower US contribution.

Total net income rose 8 per cent to $1.623bn or $3.31 a share, compared with $1.492bn or $2.87 in the same period last year. Worldwide sales rose 14 per cent to $20.7bn. However, in volume terms, sales increased only 2 per cent to 1.6m units.

In the US, Ford, like the other big motor manufacturers, had a less profitable quarter. US net earnings fell 9 per cent to $1.04bn, despite a 3 per cent advance in sales volumes to 1.04m car and truck units.

Outside the US, the company's net income soared 123 per cent to $580m, reflecting improvements in all major markets, with the biggest gains apparently coming from Europe.

In Germany sales volumes jumped 16 per cent to 258,149 units, although in the UK they declined 13 per cent to 106,061. In Spain, the company's third biggest non-American market, sales *volumes edged up 1.5 per cent to* 73,597.

In Latin America, Ford said that the performance of Autolatina, the newly-formed Brazilian joint venture with Volkswagen, improved as a result of reduced cost and better economic conditions.

However, in the main US market, Mr Donald Petersen, chairman, said improvements in manufacturing efficiencies and lower taxes were more than offset by higher marketing costs and rising spending on new model introductions and development.

Like General Motors and Chrysler, Ford has been spending heavily on customer rebates and financing incentives in the last quarter in an attempt to increase retail sales and clear dealer inventories.

Mr Petersen noted that this process also held back the company's US factory sales volumes, despite strong retail demand for its cars. Ford's share of the US retail sales increased by 1.8 percentage points since the first quarter of 1987 to 21.8 per cent and its truck market share rose by 0.3 points to 29.7 per cent.

However, the-year-to year comparison of factory sales was less favourable because there was no recurrence of last year's big buildup of dealer stocks.

Nato moves towards arms modernisation

BY DAVID WHITE IN BRUSSELS

MR FRANK CARLUCCI, the US Defence Secretary, said yesterday that Nato allies backed the development of improved nuclear weapon systems but that the alliance was "sometime away" from any decisions on deploying them.

"There is support for us moving into the development process," he said after a two-day meeting here of Nato's Nuclear Planning Group.

In a communique the ministers *emphasised that modernisation* would be undertaken step-by-step and would "in no way undercut" the reductions resulting from the INF agreement to scrap ground-based medium-range nuclear missiles.

The ministers said that the INF treaty "will not prevent" the Soviet Union from continuing its evident force modernisation and improvement efforts.

The main options being discussed by Nato are a longer-range successor to the Lance surface-to-surface missile, a new air-to-surface missile, for which the US has been talking with both Britain and France on possible collaboration, a bigger role for so-called "dual-capable" aircraft, and more submarine-launched missiles.

Mr Carlucci said four or five different systems were being considered as a successor to the Lance, and that the range and requirements had still to be *determined.*

Regarding Denmark's stance towards its nuclear-power allies, Mr Carlucci said the policy of neither confirming nor denying the presence of nuclear arms aboard warships was "very firm."

"We cannot have that policy whittled away at in any way, shape or form," he said, describing the stance taken by the Danish Parliament as a "fundamental challenge" to Nato principles.

● Spain and Britain are close to agreement on arrangements for dovetailing Spanish military operations with the rest of Nato without Madrid having to accept orders from the Nato command in Gibraltar, according to officials from both countries.

Mr George Younger, UK Secretary *of State for Defence, said* after discussing the issue with Mr Narcis Serra, the Spanish Defence Minister, at Nato headquarters in Brussels, that Britain saw "no obstacle to a sensible arrangement."

A framework agreement which has been emerging from recent talks would involve Spain con*necting with the main Nato* structure through the southern command based in Naples. Spain, which, like France, is outside the alliance's military command structure, has been negotiating formulas for military co-ordination in the south-west European zone.

British officials said it was now up to the Spanish authorities and *Nato commanders to work out* practical guidelines.

UK investor protection laws come into force

Continued from Page 1

applicants by April 29, except for the most difficult cases.

As a result of the backlog, many smaller stockbroking firms that have been long-standing *Stock Exchange members will* receive letters this morning telling them that they have only been awarded interim authorisation, at least until their applications are processed.

The disadvantages of interim authorisation are twofold. First, the firm is vulnerable to litigation for damages under section 62 of the Financial Services Act if it breaches any of the new regulations, whereas fully authorised firms are immune from such litigation until the end of October. *Second, the interim authorised* category includes all those firms that have been rejected by SROs for not being "fit and proper" but are appealing against the decision. Customers will not be told why a firm has only interim authorisation and it is feared that a stigma may become attached to it.

TSA said yesterday that it was likely to reject at least six applicants. Fimbra has already rejected 30 applicants and another 820 firms have withdrawn their applications, often after failing to answer detailed questions. These firms will be required to discontinue trading from today.

The Securities and Investments Board, *the chief regulatory overseer,* is empowered to bring prosecutions against firms trading illegally. Yesterday it launched an on-line register that will enable the public to check on the status of investment firms through Prestel, British Telecom's public videotex service, *which is available in public* libraries and elsewhere. Each of the SROs will input into the register daily an updated list of the firms authorised and de-authorised.

A total of 15,000 businesses are being regulated under the new system by the SIB and the five SROs.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	R	14	57	Malta	S	21	70	Rhodes	S	22	72
Algiers	F	19	66	Edinburgh	C	8	46	Manchester	C	10	50	Rio de Jo	R	34	93
Amsterdam	R	10	50	Faro	S	18	64	Manila	F	37	99	Rome	C	18	64
Athens	S	20	68	Florence	F	18	64	Melbourne	F	21	70	Salzburg	F	15	59
Bahrain	S	31	88												
				Frankfurt	R	9	48	Mexico City	F	32	90	San Francisco	R	13	55
Bangkok	S	35	95	Funchal	F	19	66	Miami	S	20	68	Seoul	S	23	73
Barcelona	S	18	64	Geneva	C	11	52	Milan	C	17	63	Singapore	F	33	91
Beirut	C	22	72	Gibraltar	F	21	70	Montreal	F	13	55	Stockholm	S	13	55
Belfast	C	9	48	Glasgow	F	9	48	Moscow	C	6	43	Strasbourg	C	12	54
Belgrade	F	18	64	Guernsey	F	11	52	Munich	F	13	55	Sydney	R	18	64
Berlin	F	12	54	Helsinki	C	11	52	Nairobi	C	24	75	Taipei	C	27	81
Biarritz	F	14	57	H. Kong	F	28	82	Naples	F	18	64	Tangier	-	-	-
Bombay	F	32	90	Innsbruck	F	15	59	Nassau	C	27	80	Tel Aviv	S	36	97
Bordeaux	C	16	61	Inverness	F	5	48	New Delhi	S	37	99	Tenerife	S	21	70
Brussels	S	13	55	Islamabad	F	39	102	New York	C	10	50	Tokyo	S	22	72
Budapest	F	18	64	Istanbul	C	14	57	Nice	F	21	70	Toronto	R	5	41
B. Aires	F	15	59	Jakarta	F	34	93	Nicosia	F	28	82	Tunis	C	20	68
Cairo	S	37	99	Jersey	F	14	57	Oporto	F	15	59	Valencia	S	19	66
Cape Town	S	21	70	Jo'burg	S	19	66	Oslo	S	11	52	Venice	C	14	57
Caracas	F	29	84	Lima	F	24	74	Paris	F	14	57	Vienna	C	15	59
Casablanca	S	19	66	Lisbon	S	18	64	Peking	S	27	81	Warsaw	S	9	48
Chicago	F	6	43	London	C	9	48	Prague	F	17	63	Washington	F	13	55
Cologne	S	14	57	Los Angeles	C	15	59	Reykjavik	C	8	46	Zurich	R	10	50
Copenhagen	S	7	45	Luxembourg	F	14	57								
Corfu	F	21	70	Madrid	S	15	59								
Dallas	-	-	-	Majorca	S	19	66								
Dublin	C	9	48	Malaga	S	24	75								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Khrushchev's failure

Continued from Page 1

years . . . have started to grow."

● Fresh speculation about the position of Mr Yegor Ligachev, ideology chief of the Soviet Communist Party, has emerged in Moscow following his failure to attend two important meetings in his field.

Mr Ligachev, second only in the party hierarchy to Mr Mikhail Gorbachev, the Soviet leader, *but widely regarded as the leader* of the conservative faction, was absent from a meeting on ideology and reform of leading newspaper editors, and also from a gathering of historians and writers.

Instead, he was reported as holding talks with Mr Joe Slovo, leader of the South African Communist Party, and an important ally, but nonetheless not immediately relevant to the current ideological ferment in the Soviet Union.

Significantly, Mr Ligachev's place at the two ideology meetings was taken by Mr Alexander Yakovlev, the Politburo member seen as politically closest to Mr Gorbachev, and therefore Mr Ligachev's main rival.

New Zealand debt

A chart illustrating the size of New Zealand external debt on this page in Wednesday's paper contained errors. The figures should have read: (1983) NZ$15.8m, (1984) NZ$23.6m, (1985) NZ$26.9m, (1986) NZ$34.8m, (1987) NZ$33m.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday April 29 1988

Henley venture to buy IC aerospace unit for $1.3bn

BY JAMES BUCHAN IN NEW YORK

WASSERSTEIN PERELLA, the Wall Street investment firm formed in February by renegades from First Boston, has made its first acquisition by combining with the Henley Group conglomerate to buy for $1.3bn the aerospace division of IC Industries.

The deal, which will be structured as a leveraged buyout, is also something of a first for Henley, a collection of businesses which raised $1.3bn for acquisitions in a record equity offering two years ago, but which has been unable to find suitable candidates.

IC, the Chicago-based former rail company that has diversified into industrial products and consumer goods, said yesterday that it had reached agreement for the sale of Pneumo Abex, its aerospace division. Pneumo Abex, which is based in Boston, had sales of $867m in 1987, primarily from landing gear and brakes.

IC will receive $1.2bn in cash but retain 49 per cent of the defence systems business, valued at about $100m.

The acquisition marks the first time that Wasserstein Perella, founded in February by Mr Bruce Wasserstein and Mr Joe Perella, have committed their own capital to a deal instead of simply providing investment banking advice.

The two companies will put up an equal but small amount of equity, with debt finance making up the remainder.

The deal is a welcome boost for Henley, and its chairman Mr Michael Dingman, which has recently been bogged down in an unsuccessful proxy fight for control of Santa Fe Southern Pacific.

Henley said its investment would be made through a special new subsidiary, Henley Investments, which is designed to "make discreet and innovative investments that will not have a material effect on Henley's financial condition."

Mr Karl Bays, chairman of IC, which is a $4bn-sales conglomerate, said: "We plan to sharpen the focus of this company on consumer goods and services. This agreement . . . is a major step in that direction."

Lucky to seek $2bn leveraged buy-out

By Our New York Staff

LUCKY STORES, the West Coast supermarket chain which faced a determined takeover assault from American Stores of Salt Lake City, Utah, yesterday made an attempt to remain independent by seeking to go private in a leveraged buy-out worth more than $2bn.

Lucky, which enjoys sales of about $7bn from stores in southern California, Florida and the south-west, said shareholders would receive $61 a share in cash for 92 per cent of the company.

Under the offer, Gibbons Green Van Amerongen, a New York firm specialising in leveraged buy-outs, will make the cash offer and buy out the remaining shares with a $7 face-value junk bond.

However, there is no certainty that Lucky, which fought off a takeover bid from Mr Asher Edelman of New York two years ago, will succeed in thwarting American, which is the third largest US food retailer with $14bn in sales. Lucky has rejected an American offer of $50 a share.

However, in a letter to Lucky published yesterday, Mr L.S. Skaggs, chairman of American, said he was ready to offer $60 a share for 85 per cent of the company and buy out the remainder with securities – provided Lucky agreed.

In the letter, Mr Skaggs said: "Indeed, I have not foreclosed the possibility of paying more than $60 per Lucky share if Lucky can convince American stores that the values inherent in Lucky justify a higher price."

Lucky had net income of $151.7m on sales of $6.92bn for the year ended Janaury.

If the Lucky leveraged buy-out goes ahead, it would be the second of these risky but potentially lucrative transactions to occur in the California supermarket business.

CELLULAR TELEPHONE SUBSIDIARY PLANS PARTICIPATION IN EUROPEAN NETWORK

Racal to spin off Vodafone unit

BY DAVID THOMAS IN LONDON

RACAL, the UK electronics group, has decided to spin off its Vodafone subsidiary which has powered the spectacular growth of Britain's mobile telephone service.

Vodafone signed on its first customers in 1985, but City of London analysts yesterday estimated it would be valued at £1.2bn-£2bn ($2.2bn-$3.7m) when it comes to the market.

Projections of Vodafone's growth have had to be revised continuously upwards since its formation. Its network now caters for more than 180,000 subscribers, a figure which is growing by more than 1,800 customers a week.

Racal has decided to sell a substantial minority in Vodafone and its other telecommunications activities in the next few months. The move was widely interpreted yesterday as strengthening Racal's bid defences.

Racal has recently been subject to sustained bid rumours, but its share price jumped 72p to 319p on news of the flotation of its telecommunications group, substantially raising the price of the company to a predator.

Racal said it would use the flotation proceeds to expand its other businesses, particularly its security and data communications operations, in Continental Europe. Racal has recently been viewed as rather lacklustre, with only Vodafone standing out.

Vodafone believes it will be in a stronger position to participate in the next generation pan-European cellular service, due to start operating in 1991, by being part of a free-standing company. One possibility is that it will swap its shares for equity in other European cellular operators to cement joint venture arrangments.

Racal has already taken a small stake in France's second cellular network, which is due to start operating next year.

The company explained it had been urged to unlock the value of its cellular business through a separate flotation. It had finally been persuaded by research reports from Goldman Sachs and Nomura which estimated Vodafone's value at well over £1bn.

In an unusual move, Racal has appointed Goldman Sachs to advise on the value of its telecommunications business. The US merchant bank has not previously worked for Racal, whose normal advisers are Hill Samuel.

The US is the only country with substantial experience of valuing cellular operations. Cellular operations in the US have risen consistently in value with large cellular concerns recently raising about $75 for every person in their franchise area.

Analysts generally put a mid-point figure of about £1.6bn on the value for Vodafone using this method. Account will have to be taken of the differences between the US and the UK, including the possibility that the UK regulatory authorities might cap cellular profits at some stage.

Goldman Sachs will also have to value the other parts of Racal's telecommunications group to be floated. These include the company's paging and private mobile interests, as well as its 50 per cent stake in Orbitel, its cellular equipment joint venture with Plessey. Several are making losses because of start-up costs.

Racal's telecommunications group is forecast to make £75m on turnover of more than £200m in 1988-89.

Vodafone, which has expanded in fierce competition with Cellnet, the other British operator, has spent more than £125m completing its initial burst of investment to give more than 90 per cent of the British population access to its network.

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Final battle for Irving looms as Bank of NY wins stock control

BY OUR NEW YORK STAFF

BANK OF NEW YORK yesterday moved a step closer to victory in its hostile takeover bid for Irving Bank, with the announcement that it has provisionally won control of more than half of Irving's stock.

However, many of these shares could still be withdrawn before the end of BNY's tender offer at 5pm New York time today.

Meanwhile, the competing white knight offer from Banca Commerciale Italiana was still being treated with increasing scepticism on Wall Street, as arbitrageurs argued that BCI had little prospect of success unless it was prepared to improve the terms of its friendly bid.

Among the most important of the arbitrageurs' objections to the BCI bid are the regulatory hurdles which are bound to be faced by the Italian bank's stake in Irving.

The time and uncertainty involved in backing the Italian bid does not seem to be reflected in the price BCI is offering for Irving.

BNY said that 9,034,383 Irving shares had been tendered to it and not withdrawn at the close of business on April 27. Along with the 888,634 shares already owned by BNY, these tenders would put 53.96 per cent of Irving's stock in the bidder's hands.

However, even if none of these shares is withdrawn before the closing of BNY's tender offer, its victory in the takeover battle would be far from assured. An equally important skirmish is due to take place on May 6, at Irving's annual meeting, when BNY will be submitting a new group of directors to run Irving's affairs.

If BNY fails to get its directors elected, it will have great difficulty consummating a merger with Irving because of the latter's potent poison pill defences, and the provisions of the New York state anti-takeover laws.

However, BNY will not be able to vote any shares it acquires as a result of its tender offer, since only shareholders of record on March 4 will be able to cast ballots at the Irving meeting.

B&C fuels debate on goodwill

BY CLAY HARRIS AND RICHARD WATERS IN LONDON

BRITISH & Commonwealth Holdings, the UK financial services group, yesterday unexpectedly changed its accounting policy relating to acquisitions, in a move that will add fuel to the UK and international debate over takeover accounting.

The change by B&C centres on the treatment of goodwill, the difference between the price paid for a company and the net tangible assets acquired.

B&C said it would amortise – charge a fixed proportion against pre-tax profits each year – goodwill over 25 years, rather than writing it all off against reserves immediately.

The only other leading UK company to amortise goodwill is Beecham, the pharmaceuticals and consumer products group. The practice is required in the US, however, where an amortisation period of up to 40 years is allowed and where the UK treatment has been criticised as giving British predators an unfair advantage in takeover battles.

Mr Peter Goldie, B&C chief executive, said he was trying to force arguments over goodwill into the open.

"We think it is a complete nonsense to assume a business declines in value on a straight-line basis," he said. "Exco [the moneybroker bought by B&C at the beginning of 1987] is not falling in value, it is rising in value. We believe the accounting practice will be changed."

However, Britain's Accounting Standards Committee said it had been unable to recommend two other policies used by some UK companies.

In B&C's case, amortisation reduced 1987 pre-tax profits by £14.6m to £130.9m. Mr Goldie said the change would allow B&C to continue to acquire service companies with few tangible assets without unduly weakening its balance sheet.

At the end of 1987, a year in which it also bought financial services group Mercantile House Holdings, B&C's balance sheet showed £750m of goodwill and only £450m of tangible assets.

Of the alternative accounting treatments rejected by the ASC, one would have allowed companies to establish negative reserves if acquisitions had created goodwill in excess of distributable reserves. This method is used by companies such as Saatchi & Saatchi, the advertising and business services group.

Another method rejected by the ASC would have recommended writing off goodwill after calculating pre-tax profits. This method is used by MAI, the money-broking and posters group, and sanctioned by auditors Price Waterhouse.

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McDonnell Douglas advances

By Our Financial Staff

MCDONNELL DOUGLAS, the US aerospace group, lifted first-quarter net profits from $43m or $1.06 a share to $51.2m or $1.33, but said several factors had combined to put profit margins under pressure across most lines of business.

Results for both quarters are also distorted by special items. Pre-tax gains of $21m and $38m were taken in the 1988 and 1987 quarters respectively from the conversion of MD-80 jetliner leases from short-term to long-term.

Revenues rose from $2.99bn to $3.22bn, paced by a 24 per cent advance in the transport aircraft segment. This was due to a near doubling of MD-80 deliveries to 24 in the quarter from 13 a year ago.

Small increase for BCE in first quarter

By David Owen in Toronto

BCE, formerly Bell Canada Enterprises, has reported a marginal increase in first-quarter income, in line with the company's expectations.

Net income for the period totalled C$253m (US$207.3m) or 89 cents a share, compared with C$248m or 90 cents a year earlier.

Total operating revenues rose just over 3 per cent to C$3.6bn, against C$3.49bn in 1987. The decline in per share earnings was attributed to a 4.3 per cent increase in the number of common shares outstanding.

Bell Canada's contribution to the company's first-quarter profit rose to C$201m, compared with C$178m in 1987.

The improvement reflected continuing growth in demand for local and long-distance telecommunications services, as well as higher revenue generated from service options and features and directory advertising.

Newmont Mining boosted to $114m by asset sales

BY OUR NEW YORK STAFF

NEWMONT MINING, the big New York-based mining finance house with interests in gold production, earned $114.4m or $1.70 a share in the first quarter of this year against $24.9m or 41 cents in the 1987 March quarter.

But the figures are barely comparable because the group, which used to be the best-capitalised US gold company, went deeply into debt and sold off assets to fend off an unwelcome $6bn takeover approach from Mr T. Boone Pickens, the company raider,

Newmont said the latest figures included no less than $104.5m or $1.55 a share in asset disposals designed to reduce the company's crippling $2.1bn debt load.

Newmont's gold interests in Nevada and Australia, which attracted last year's raid, contributed $32.1m in pre-tax income against $31.1m in the 1987 first quarter. The modest increase masks a sharp rise in production from 180,600 ounces to 198,900 oz and a jump in average price from $408 an oz to $453 an oz. Higher interest expense presumably held back the 1988 result.

Record profits of $152m for Anheuser-Busch

By Our New York Staff

ANHEUSER-BUSCH, the largest US brewer, enjoyed record profits and revenues in the first quarter. The company's net income increased 19 per cent to $152.4m or 51 cents a share, from $128.1m or 42 cents in the first quarter of 1987.

Gross revenue grew 7 per cent to $2.26bn while net sales, excluding excise taxes, also increased 7 per cent to $2.07bn.

The strong performance partly reflected a gain in market share for Anheuser-Busch's beer brands, which include Budweiser, Bud Light, Busch and Michelob Light. The company's beers took 41.8 per cent of the US market in the first quarter, compared with 40.3 per cent last year.

Amerada Hess profits fall to $65m

BY OUR FINANCIAL STAFF

AMERADA HESS, the leading US petroleum refiner and marketer, saw first-quarter net profits fall sharply to $65.6m or 80 cents a share from $181.5m or $2.15 a year earlier, on revenues of $1.26bn against $1.23bn.

Earnings from refining and market operations plunged to $42m compared with $118.6m a year earlier, while exploration and production earnings fell to $45m compared with $78.6m in the year-ago quarter.

Capital expenditure amounted to $146.6m, of which $132.9m was used for exploration and production activities.

Rio Algom sees earnings gain

By Our Montreal Correspondent

RIO ALGOM, the Toronto-based mining group, expects operating earnings this year to exceed the C$165.6m (US$134.6m) registered in 1987, according to Mr Ross Turner, chairman.

"We see metal prices maintaining a good level," said Mr Turner after the company's annual meeting. "Operating profits should be higher."

Spirits lift Moët by 26 per cent

BY PAUL BETTS IN PARIS

MOET HENNESSY Louis Vuitton (LVMH), the leading French champagne, cognac and luxury goods group, yesterday reported a 26 per cent increase in net earnings to FFr1.34bn ($236m) last year, as compared with the combined profits of Moët Hennessy and Louis Vuitton the year before. The group said its net dividend would rise to FFr32 a share in line with the rise in net profits.

Moët Hennessy merged with Louis Vuitton last year to form the largest luxury products group in the world. The sales of LVMH rose 18.6 per cent last year to FFr13.25bn.

All the group's divisions reported sharp gains in operating income, with the exception of champagne which was hit by the rise in grape prices. Operating profits from champagne operations, which include the Moët Chandon and Veuve Cliquot brands, declined 10 per cent to FFr967m.

In contrast, cognac and spirits saw their operating profits rise 30 per cent to FFr959m, luggage and accessories reported a 37 per cent rise to FFr862m, and perfume and beauty products reported a 41 per cent increase to FFr546m.

First-quarter sales this year increased 31 per cent to FFr3.4bn. The rise was especially sustained in the luggage and cognac sectors which have been expanding rapidly in the Far East. However, the group said it expected sales to increase at a more moderate rate for the whole year.

Cerus to replenish capital with fund-raising exercise

BY GEORGE GRAHAM IN PARIS

CERUS, the French holding company which has spearheaded Mr Carlo de Benedetti's assault on Société Générale de Belgique, is planning a capital increase.

The company yesterday refused to give any details of the size or timing of the fund-raising, but said that the operation was aimed at reinforcing Cerus's financial structure in the wake of its recent pruchases of a number of equity stakes.

The battle for Société Générale, in which Cerus ended up with a minority holding and no board seats, has cost the company around FFr4.5bn ($792m).

It had been expected to cover part of this with the proceeds of the sale to the Swiss foods group Nestlé of the assets of Buitoni, its pasta and processed food operation.

The Nestlé deal was expected to leave around $500m in Buitoni SA, the French division of the foods group, effectively at the disposal of Cerus, which controls 47 per cent of the company.

The deal has been fiercely contested by French minority shareholders, however, and the Swiss group indicated this week that another solution was now in sight which would leave Buitoni SA in existence as a Nestlé subsidiary. This in turn would leave less cash at the disposal of Cerus.

The Cerus group also reports net profits of FFr306m for 1987, the first year it has reported consolidated results.

Besides its Société Générale stake, Cerus has this year bought a 26.45 per cent holding in the French financial group Dumenil Leble as well as 21.45 per cent of Pascual Hermanos, Spain's biggest exporter of citrus fruits.

Factions wage fresh battle for Credito Romagnolo

BY ALAN FRIEDMAN IN MILAN

A FIERCE battle for control of Credito Romagnolo, the wealthy Bologna-based private bank, is set to come to a head this afternoon when the bank's annual shareholders' meeting gets underway at the Bologna fairground.

More than 3,000 shareholders are expected to attend the meeting, which pits two opposing coalitions – one led by Mr Carlo De Benedetti and the other by the Fiat group – against each other.

Mr De Benedetti's coalition, which includes many prominent business families as well as Mr Gianfranco Ferre, the fashion designer, speaks for around 40 per cent of the bank's capital.

The Fiat-backed coalition, which is nominally headed by Mr Pietro Barilla, the local pasta king, also includes the 90 year old Mr Enzo Ferrari of sports car fame. At stake is control of the bank's board of directors. Neither Fiat nor Mr De Benedetti own more than a 2 per cent direct stake in Credito Romagnolo.

Most of the lobbying against Mr De Benedetti's side has been done by Mr Franzo Grande Stevens, who is personal lawyer to Mr Gianni Agnelli, the Fiat chairman. The Turin-based Fiat said yesterday that this was merely "a coincidence" and that Mr Grande Stevens "is acting on his own to help other shareholders and does not represent Fiat."

With Mr De Benedetti's recent experience in Belgium in mind the Italian financial world has already dubbed the Bologna showdown as "a mini-Société Générale de Belgique." Today's shareholders' meeting is expected to continue late into the night.

INTERNATIONAL COMPANIES AND FINANCE

Fast footwork keeps Eni ahead

BY JOHN WYLES IN ROME

"THESE ARE brilliant," purred Mr Franco Reviglio, president of Eni, the Italian state-owned energy and chemicals group, whose consolidated results for 1987, presented yesterday, testify to some quick managerial footwork in coping with both the slide of the dollar and the fall in crude oil prices.

In spite of these banana skins, Mr Reviglio has managed to steer his group to its third consecutive year of rising profits and to relegate to a distant memory the losses which were being run-up until he took over at the top in 1983.

Net profits at Eni climbed last year by 10 per cent to L700bn ($562m) on sales which had fallen in lire terms by 6.2 per cent to L31,443bn.

Spending on oil and gas research and other investments, nevertheless, rose 15 per cent to L6,195bn, equalling 20 per cent of revenues. This compares with outlays by the world's other leading oil companies of about 8.5 per cent of sales.

In the three years, 1985 to 1987, Eni has succeeded in self-financing 90 per cent of capital spending totalling L17,000bn. At the same time, a steady cleansing of the balance sheet has reduced the group's net borrowing – L15,017bn at the end of last year – from nearly three-times equity in 1983 to 1.29 times last year.

But there is no disguising the fact that with oil prices and the dollar at present levels, Mr Reviglio is struggling to keep Eni on its rising path.

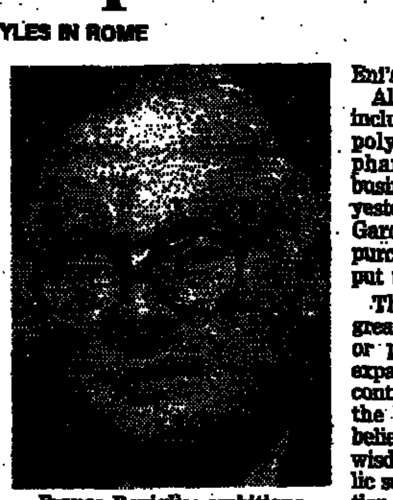
Margins have shrunk to uncomfortable levels in its main energy business and the decline in world petrochemical investment is hurting Saipem and Snamprogetti, Eni's contraction and construction companies. It needed a sharp attack on costs to keep last year's operating profits from Eni's industrial businesses within reach of the 1986 performance – L1,268bn against L1,341bn.

But Mr Reviglio admits that even this would not have been possible but for a pleasantly surprising improvement in chemicals, a reduction in losses from textile machinery and minerals and a one-off improvement in margins from gas distribution thanks to a widening of differentials between Eni's sale prices in Italy and its purchase prices from suppliers.

With its main *raison d'etre* remaining that of reducing Italy's dependence on overseas purchases of energy, Eni cannot curtail its petroleum activities, although total group investments, of which about 80 per cent go to the energy sector, will be reduced from L19,000bn to L16,000bn in the 1988-90 period.

Its target is to produce oil and gas to the equivalent of 690,000 barrels a day this year, up from 615,000 b/d in 1987. This will provide about 28 per cent of the national energy requirement, compared with the 23.3 per cent which Eni was producing in 1980.

So with oil in the doldrums, where will future growth come from?



Franco Reviglio: ambitions fixed on chemicals

For the moment, Mr Reviglio's ambitions are firmly fixed on chemicals.

Enichem agreed a number of potentially useful production joint ventures with US producers last year, notably with Arco Chemical in styrenes and thermoplastics and with Dow Chemical in resins.

But the real prize being sought is a marriage between Enichem and Montedison's basic chemicals business, which would create real opportunities for rationalisation and restructuring on the basis of a joint venture with annual sales of more than L13,000bn.

Mr Reviglio says: "The new company would be a world price leader in four or five sectors." He is expecting Mr Raul Gardini, Montedison president, to reply to Eni's business plan this weekend.

Although he has not proposed including Montedison's attractive polypropylene (Himont) and pharmaceuticals (Erbamont) businesses, Mr Reviglio disclosed yesterday that he had asked Mr Gardini for the first option to purchase them if they were ever put up for sale.

The Eni president is not greatly constrained by personal or political prejudices against expanding the public sector in a continent where privatisation is the current vogue. Indeed, he believes he has acknowledged the wisdom of rationalising the public sector through some privatisation by last year's sale of Lanerossi, Eni's textiles manufacturer, to the Marzotto group.

But Italy is rare among leading economies in carrying an annual deficit on chemicals, he says, and needs to make investments in this sector with a longer return than may be acceptable to private sector companies.

His search for growth also makes Mr Reviglio ambitious to diversify his engineering and construction businesses into civil construction.

He is hoping for a green light from the Government to allow him to make a bid for control of Cogefar, the private company with a turnover of L700bn. Putting Cogefar alongside Saipem and Snamprogetti would, he says, create a unit more capable of competing with large French and German contractors after 1992.

Olivetti earnings decline by 28.9%

By Alan Friedman in Milan

OLIVETTI, THE Italian office automation group which is the biggest European-owned company in the sector, suffered a 28.9 per cent drop in group net profit for 1987 to L402bn ($324m).

The fall in profits, which were struck on only marginally higher group revenues of L7,375bn, was attributed by Olivetti to three distinct factors – the need to cover losses from the Triumph-Adler office equipment subsidiary in West Germany, the complete renewal of Olivetti's product line, and the drop in shipments of personal computers to American Telephone & Telegraph (AT&T).

Triumph-Adler made a 1987 loss of about $161m, but reached a break-even result by last December.

Olivetti says it absorbed half of the Triumph-Adler loss, while Volkswagen, which sold the company to Olivetti in 1986, covered the rest.

Triumph-Adler has begun to recover, according to Olivetti.

The product renewal costs were associated with the launch of a new family of personal computers last June and the launch of the LSX line of "Open System Architecture" mini-computers last November.

Olivetti has invested about L500bn in the new mini-computer line.

The company says it expects to choose in the next few months between two different advanced microprocessor standards for the mini-computers – the Sparc system being developed by AT&T and Sun Microsystems of California, or the Motorola 88000 series.

At present, Olivetti appears to be leaning toward the latter.

Last year, Olivetti shipped less than 50,000 personal computers to AT&T, compared with more than 200,000 in 1986.

The forecast for 1988 is for more than 100,000 PCs.

Olivetti's board yesterday confirmed the appointment of Mr Vittorio Cassoni as group managing director.

Since 1986, Mr Cassoni has headed the data processing division of AT&T, which this week said it did not plan to alter its 22 per cent equity holding in Olivetti.

The group said its net cash position last December 31 stood at L531bn. This figure currently stands at about L400bn.

Roche lifts net income to SFr482m

By Our Geneva Correspondent

HOFFMANN-LA Roche, the Swiss chemicals and pharmaceuticals group, yesterday reported net consolidated earnings of SFr482m ($349m) for 1987, an increase of 15.9 per cent over the previous year.

The company, which earlier this year failed in a bid to take over Sterling Drug of the US, proposes to increase its dividend to SFr660 a share, raising the total payout by SFr35m.

Group sales dropped by 1.5 per cent to SFr7.7bn, the decline largely reflecting the appreciation of the Swiss franc against the dollar.

In terms of local currencies, group turnover climbed by 13.8 per cent from 1986 levels or by 9.2 per cent when countries with high inflation rates are excluded.

The rise in the value of the Swiss franc had been compensated for by higher sales in the main divisions and by the introduction of new, innovative products, the company said.

Among these products was Rocephin, an antibiotic, which was the top-selling Roche drug last year. Three other products launched in the year were Tilcotil, an antirheumatic, Furtulon, an anti-cancer agent, and Anexate, a benzodiazepine antagonist.

Pharmaceutical sales declined by 3 per cent in Swiss franc terms to SFr3.1bn but this veiled strong volume growth.

Increased sales volume was also achieved in vitamins and fine chemicals, where turnover was just over SFr2bn.

Record profits for Framatome

BY PAUL BETTS IN PARIS

FRAMATOME, THE French nuclear power plant manufacturer 40 per cent owned by Compagnie Générale d'Electricité (CGE), yesterday reported record net profits of FFr913m ($160.7m) for 1987, compared with earnings of FFr777m the previous year.

The company, which is currently fighting a battle against the French Schneider group for control of Télémécanique, the French industrial automation concern, also said that it planned a FFr400m increase in its capital to FFr1bn.

Mr Jean-Claude Leny, Framatome chairman, said earnings this year were expected to decline to about FFr80m. Sales, which totalled FFr11.4bn last year, were also expected to drop, to about FFr10.7bn, as a result of the general slowdown in the nuclear sector.

The group's outstanding orders had declined to FFr40bn at the end of 1987, from FFr50bn at the end of the previous year.

Mr Leny said Framatome's strategy was to diversify into new high technology growth sectors, while consolidating its competitive position in the nuclear industry.

He added that the group also favoured alliances with other international nuclear reactor manufacturers.

SMH to raise payout after firm gains

BY WILLIAM DULLFORCE IN GENEVA

SMH, SWITZERLAND'S largest watchmaking group, yesterday declared a 10 per cent increase in 1987 net earnings to SFr77m ($55.8m) and proposed to increase its dividend from 5 to 6 per cent.

Last year, the group paid its first dividend since its 1983 creation by merger at a time of crisis for the Swiss watchmaking industry.

Consolidated sales fell by 5.7 per cent to SFr1.72bn. However, SMH said that taking into account currency fluctuations and the disposal of the group's photographic business in France, this represented a 3 per cent real growth in turnover.

Sales of watches, including Swatch plastic watches whose success has spearheaded SMH's recovery over the past three years, rose by 11 per cent compared with growth of about 3 per cent in the watch market as a whole.

Cash-flow improved by 8.7 per cent to SFr150m. Coupled with the reduction in the group's net debt, this led to an increase of 43 per cent in shareholders' equity, SMH reported.

Parent company net profit at SFr42.9m was 12.5 per cent ahead. The dividend proposed amounts to SFr6 per registered share and participation certificate and SFr1.20 per registered share.

During the first three months of 1988, group sales were more than 10 per cent higher than during the first quarter of 1987, SMH announced.

Without drawing too hasty a conclusion, it added, management was optimistic about prospects for 1988.

Akzo starts recovery in first quarter

AKZO, THE Dutch chemicals and fibres group which suffered a sharp setback last year, has reported a steady recovery in earnings for the first quarter of 1988, Our Financial Staff writes.

Sales for the quarter improved to Fl 3.99bn ($2.13bn) from Fl 3.81bn in the opening three months of 1987. Operating profits showed an increase from Fl 329.3m to Fl 345.6m.

After a marginally lower tax charge, net earnings rose to Fl 193.9m from Fl 180.3m – or to Fl 4.82 a share from Fl 4.49.

Difficulties in the group's man-made fibres and consumer products divisions led to a decline in earnings. Consumer profits fell from Fl 205m to a mere Fl 85m in 1987, while the contribution from fibres tumbled from Fl 275m to Fl 50m.

As a result, group pre-tax profits, prior to exceptional gains, dipped to Fl 1.03bn from Fl 1.29bn. The year's dividend was held at Fl 6.60 a share.

At the time, Akzo explained its fibre division problems had been mostly the result of rising raw material costs.

INTL. COMPANIES AND FINANCE

John Wicks on a Swiss court's support of the share voting status quo

Bankers uneasy on stock ruling

THE SWISS Federal Court has just upheld what, at least in foreign eyes, seems a strange practice. This is that former holders of registered shares retain their voting rights if the purchaser of their stock has not been entered into a company's share register – a clear case of representation without participation.

The judgment arises out of the long-standing local battle for control of Usego-Trimerco, the retail group. Mr Karl Schweri, the owner of the Denner discount store, claims to control more than half of Usego's voting capital. Part of this shareholding is, however, in the form of registered shares which Usego has refused to enter into the stock ledger.

At the same time, some 100,000 votes are retained by "book shareholders," whose names feature in the register, although they have disposed of their shares.

The court judgment is important for a growing list of Swiss companies. Sulzer Brothers, the engineering group, recently fought off the unwelcome attentions of an investment syndicate by blocking share registration.

Georg Fischer, another engineer, Hero, the jams group, and the Baloise insurance company have all chased away unwanted shareholders in recent months by similiar restrictions. And last week the chemical groups, Sandoz and Ciba-Geigy, proposed that no individual shareholder should hold more than 2 per cent of corresponding capital.

Everyone is waiting for the revision of Switzerland's equities law, currently being worked on by a parliamentary commission. The new law should regularise the status of registered shares. At present, Swiss commercial law rules that these are transferable but that stock-ledger entry may be refused on the basis of a company's articles of association.

In 1957 the Federal Court ruled that unregistered shareholders had dividend rights but not voting rights. In 1961 the Swiss Bankers' Association called on its members not to sell registered shares to persons – such as foreigners – who would not be eligible for registration.

The current rulings then are unclear and anomalous. And not all banks have adhered to the 1961 guidelines. There are also widely differing views as to how the laws can be changed.

By Swiss standards, opposition to the share restrictions has been intense if less than well organised. The Swiss stock exchanges in particular fear reduced negotiability of registered shares. Mr Schweri has even launched a referendum campaign to have this category of stock banned altogether from the Zurich bourse. There is also widespread, if understated, concern as to how developments will be regarded abroad.

Apart from the fact that foreigners are virtually shut out from holding shares with a noticeably higher yield than the bearer stock they are confined to – registered shares yield 2.8 per cent on average compared with under 2.4 per cent for bearer shares – the limitations on registered shares rule out foreign takeovers.

This leaves some Swiss bankers with an uneasy feeling. After all, Swiss direct investments abroad totalled SFr55.5bn ($40bn) in 1986 and show no signs of slowing down to judge by the attentions that both Nestlé and Jacobs Suchard are paying to Rowntree.

CIBA-GEIGY and Sandoz may face fierce opposition to plans for tighter share restriction when the two chemicals groups put their respective proposals before shareholders next week, Our Financial Staff writes.

A shareholder group, whose signatories include Mr Peter Lehner, the director of the Canton of Zurich finance administration, has written to banks urging them to take urgent action against the proposals.

The letter says the companies' plans are bad for shareholders as a whole. It urges the banks to warn the many shareholders on whose behalf they exercise proxy votes of the damage that could be caused by the changes.

"If the planned statute revision comes into force, the tradeability of registered shares would be restricted in an intolerable way. This would lead to lower share prices. The banks should make this clear to their clients," the letter stresses.

BIL defends spate of sell-offs

BY DAI HAYWARD IN WELLINGTON

BRIERLEY INVESTMENTS (BIL), Sir Ron Brierley's New Zealand group, says its recent spate of large investment sell-offs has not been forced by the effects of the October stock market crash, nor is it short of cash.

The news on Wednesday that BIL is looking for a buyer for its 35 per cent holding in NZI, the leading insurance and financial services company, was the latest in a number of moves to sell assets.

These have included the company's 15 per cent holding in Petrocorp, the privatised energy group which has been acquired by Fletcher Challenge; a one-third share in Ansett New Zealand, a domestic airline; a joint venture stake in Printpac, a printing company; and a major shareholding in Winstone, a building supplies company.

The sale of its NZ$530m (US$354.3m) shareholding in NZI will, however, be the largest single asset yet sold by BIL.

In March the company announced a NZ$75m interim net profit. This was a 45 per cent drop on the previous comparable period and the first setback in 22 years. The stock market crash caused a drop of NZ$1.6bn in the value of BIL holdings. Nevertheless, the company says it remains on target for NZ$252m net earnings for the current year.

BIL is now involved in its biggest ever attempted takeover. It is seeking to gain control of Calmat, a California cement company, for more than US$1bn.

Our Financial Staff adds: BIL added further to the list of disposals by announcing in Chicago an agreement whereby Juki, a big Japanese maker of industrial sewing machines, will buy Union Special, a US manufacturer, immediately a BIL affiliate completes its pending US$90m takeover of Union Special.

Juki, which had become a rival bidder, is to pay Industrial Equity (Pacific), Sir Ron's Hong Kong vehicle, the same $32 per share price as IEP is itself offering Union Special shareholders. IEP will, however, make a profit on the deal: it has for some time held close to 30 per cent of Union Special stock bought at less than $23 a share.

Japanese groups to merge liner operations

By Carla Rapoport in Tokyo

THE RATIONALISATION of Japan's shipping industry continued this week with the decision by Japan Line and Yamashita-Shinnihon Steamship (YS Line) to merge their troubled liner operations into a new joint venture company.

The two companies, which rank among Japan's six leading liner groups, agreed on the plan in an attempt to return their liner operations to profit within two years. The 50-50 joint venture company should be able to reduce costs, particularly labour, dramatically.

The Japanese Government has been encouraging a reorganisation of Japan's shipping industry. The six leading liner companies incurred combined losses of Y69bn ($552.7m) on trans-Pacific routes in the year to March 1987.

An unexpected result of the merger is the abandonment of the tie-up between Japan Line and Evergreen of Taiwan, once considered a landmark deal

The liner operations constitute about 30 to 40 per cent of Japan Line and YS Line's business. As a result, the new merger, which should have a positive short-term effect on the parent companies, could make the two groups more vulnerable to developments in the remaining parts of their business, bulk and liquid cargo.

Norsk Hydro profits up 79%

BY ROBERT TAYLOR, NORDIC CORRESPONDENT, IN STOCKHOLM

NORSK HYDRO, Norway's biggest quoted company, achieved a 79 per cent rise in net income for the 1988 first-quarter to NKr681m ($127.2m) from NKr453m.

The improvement was due to an excellent performance in the company's operations in agricultural products (chiefly fertiliser), light metals and petrochemicals. By contrast the company's operating income declined sharply in its oil and gas activities, to NKr386m from NKr805m.

The main reason for the fall was the decline in gas prices compounded by the drop in the value of the US dollar. In the quarter the price of North Sea oil averaged around $16 a barrel, though the total level of production was the same as in the same period of 1987. Refining and marketing activities made a loss as a result of weak refining margins.

In the agricultural division operating income soared from NKr 38m to NKr434m because of increased demand for fertilisers and cost-cutting measures.

Light metals achieved an operating income of NKr743m compared with NKr306m, mainly because of high metal prices, particularly aluminium. Magnesium division income was considerably weaker.

In petrochemicals, operating income was NKr391m compared with NKr146m. This was attributed to higher product prices as well as increased production.

A rights issue, increasing capital by up to NKr535m, may be launched later this year "when conditions in international capital markets make this possible on satisfactory terms."

Altech ahead despite fall in post office spending

BY JIM JONES IN JOHANNESBURG

ALTECH, the South African electronics company, increased sales and profits in the year to February despite restrained capital spending by the post office, its principal customer.

Turnover was R709m ($329.4m) against R641m in the previous year and the pre-tax profit rose to R133.2m from R106.2m.

Altech has also established an overseas marketing arm to sell South African electronics products in the Far East. The post office's present capital spending deferrals are expected to be short-lived and Mr Bill Venter, Altech's chairman, believes sales of digital transmission equipment will grow particularly quickly.

In order to concentrate on developing its telecommunications equipment interests, the company has sold its office automation interests to Fintech, an associate (which is unrelated to the FinTech company owned by the Financial Times).

Net earnings increased to R7.62 a share from R6.09 and the year's dividend has been raised to R2.30 from R1.90.

Mandarin places stake with Jardine Strategic

BY DAVID DODWELL IN HONG KONG

MANDARIN ORIENTAL Hotels, the Hong Kong-based hotel group, has placed 10 per cent of its share capital with Jardine Strategic Holdings, its controlling shareholder, at HK$4.15 a share – a discount of about 5 per cent to the current market price.

The placement will raise HK$254m (US$32.6m) before expenses and will make funds available to acquire control of a new hotel in one of a number of "gateway" cities in Asia, North America and Europe.

The placement lifts Jardine Strategic's holding in the Mandarin group from 35 per cent to about 41 per cent, which under local takeover rules trigger a compulsory bid. A Jardine official said a takeover was not desired, however, and hoped the group would remain listed.

Mandarin Oriental, which was hived off from the Hongkong Land group last year, aims to expand into Tokyo, Seoul and Taipei in Asia, and is currently bidding to acquire the New York Plaza hotel as well as County Hall in London.

Roderick Oram on the continuing investigation into junk bond dealing

Milken scrutiny takes public turn

WITH FEROCIOUS attention to detail, Mr Michael Milken has parlayed his ideas about junk bonds into a multi-billion dollar business. "He's a hard bargainer; he's got an iron ass," said one of many people who have experienced his determination to have everything his own way.

Whether Mr Milken and his colleagues at Drexel Burnham Lambert drove too hard a bargain – allegedly manipulating junk bond underwritings to their considerable personal profit – has been the focus of a congressional investigation for the past six months.

The scrutiny has taken a highly public turn this week with hearings in Washington by a subcommittee chaired by Rep John Dingell, a Michigan Democrat who heads the House Energy and Commerce Committee.

Mr Milken, invoking his constitutional right against self incrimination, declined to answer Mr Dingell's questions on Tuesday but the hearings continued yesterday with more co-operative testimony from Mr Fred Joseph, Drexel's chief executive.

The firm, whose rapid ascent to Wall Street's top ranks in recent years was fuelled by profits from junk bonds used to finance takeovers and other corporate activities, has also supplied thousands of pages of documents to the committee. Information from bond issuers and investors, aggrieved by Drexel's tactics and profits, have also helped the investigations.

Mr Dingell said he is concerned by evidence that Mr Milken and scores of other senior Drexel executives personally invested heavily in junk bonds before they were issued and then resold them, sometimes within days, for a profit.

It raised questions about whether the dealing "complies with among other things, the laws relating to insider trading, front-running and questions of . . . market manipulation." Some investors said that purchases on Drexel officials' own accounts artifically restricted the supply of bonds. This in turn forced them to pay more for the bonds later, buying the securities in some cases from Drexel employees.

Conflict of interest

"We are not alleging any wrong-doing," Mr Dingell said. "The subcommittee's primary goal was to establish whether present laws needed to be improved." Mr Joseph repeated again yesterday Drexel's frequent assertion it has done no wrong. Purchases by employees through internally managed partnerships were properly monitored to avoid conflict of interest with clients.

Some other Wall Street firm's strictly forbid their employees from buying into issues their firms are underwriting because of the potential conflict.

Two of Mr Dingell's questions that Mr Milken declined to answer on Tuesday concerned Otter Creek Associates, one of the internal partnerships. Mr Milken was its general partner while some 20 other Drexel executives were investment partners.

Otter Creek's account sometimes had a balance as high as $145m. Congressional staff, who estimate there are between 20 and 30 employee investment partnerships in Drexel, said at least one of them traded more than $1bn of bonds and stocks in one year.

The investigations are focusing on three issues of the high risk, high yield junk bonds which are rated below investment grade. They were issued by Hanover Petroleum, a subsidiary of Total, the French oil company, Texstyrene and Beatrice.

The largest of the three was the $2.5bn junk bond issue in 1986 to help finance the $6.2bn leveraged buyout of Beatrice, the large Chicago foods group. Congressional investigators said 10 per cent of the issue was bought by Drexel employee partnerships even though the issue was keenly sought by outside investors. Drexel said the employees bought because it was difficult to fully place the issue with other investors.

More controversial, though, was Drexel's assertion to the issuer that the bonds would only win investor acceptance if they carried warrants to buy shares in the new company after it had been taken private. The warrants, sold initially for $7.3m, were worth at least $500m by last year thanks to the great financial success of the leveraged buyout. It turned out, though, that the largest proportion were held by Drexel employees. Drexel said the warrants had been bought at fair secondary market prices from outside investors.

Congressional investigators said Mr Milken often decided which Drexel employee partnerships could buy into a new issue and how much they could have. They said he was frequently one of the largest individual investors.

Personal fortune

Forbes magazine estimated last year that Mr Milken, 41, had amassed a personal fortune of around $500m over the past decade. Yet his life continues to revolve solely around his family and his job. He lives modestly in the middle class town of Encino, California, where his social life involves some friends from high school days. His office is a 20 minute drive away in Beverly Hills, the ritzy Los Angeles suburb.

The most feared corporate raiders in America beat a path to his office door, seeking his phenomenal money-raising abilities to further their takeover ambitions. Mr Milken is widely credited for single-handedly creating the junk bond market by, for example, developing an extensive network of buyers for the bonds. As a result, he is the most powerful financier in America.

With Mr Milken sitting before him on Tuesday, Mr Dingell opened the hearings with a quote from President Roosevelt: "Let the seller also beware."

HKSE in clampdown on equity warrants

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Stock Exchange yesterday put an abrupt end to the recent flurry of big equity warrant issues, ruling that applications for the issue of options or warrants cannot exceed 10 per cent of the existing issued equity capital of a company.

The move, which took immediate effect, arises out of mounting concern that warrant issues could destabilise the full equity market and that they were being used in some instances to create two-tier share structures that confused efforts to assess true share values and allowed controlling shareholders in a company to maintain control on the cheap.

The exchange also ruled that warrants will in future normally be limited to maturities of between one and three years. This will also apply when companies plan to renew or convert expiring warrants into further warrants.

There are now about 90 warrants in issue on the Hong Kong Stock Exchange, most maturing between now and 1994. They have a total current worth of about HK$34bn (US$4.36bn). A number of Hong Kong companies currently have between two and eight times as many warrants in issue as ordinary shares.

Mr Robert Fell, chief executive of the exchange, said yesterday that the ruling will not affect warrants already in issue. "I don't think we can jog backwards and abolish warrants already traded on the exchange. Those companies have been through the hoops, have won shareholder mandates, and have contractual commitments to warrant holders. Some will say we should have moved months ago, but that is another matter."

The move, which comes at a time when efforts are being made to tighten regulation of the local securities industry, blocked five new warrant issues that were submitted to the exchange's listings committee yesterday. It brings Hong Kong rules on warrants directly into line with rules on the International Stock Exchange in London.

Among those warrant issues blocked yesterday was one from the property group, Shun Ho, which had been intended to raise HK$600m through the issue of warrants dated 1988, 1990 and 1997, which would have left the group with six times as many warrants in issue as proper shares.

The Shun Ho warrant issue was intended to fund the group's recent HK$295m purchase of a local hotel. The alternative would have been a rights issue of six new shares for every one currently in issue – a target that would have proven hard to achieve for any company, let alone one that was listed on the stock exchange less than a year ago. It is understood that the group intends to appeal to the listings committee to review its ruling.

ADB plans nominal borrowing this year

By Richard Gourlay in Manila

THE ASIAN Development Bank plans only a nominal borrowing programme this year, because of persistent high liquidity and pre-payments from borrowing members.

The region's multilateral aid bank raised $537m in 1987 through bond issues in West Germany, Japan, and Switzerland and is unlikely to raise much more this year, although $300m was initially targeted, the bank said yesterday at its annual meeting in Manila.

Mr Alan Gill, the bank's treasurer, believes there would be good reasons to raise more money now, while interest rates are close to historic lows. However, strong opposition has developed from some of the 47 member countries, because of the bank's high level of liquid assets – $5.8bn at the end of 1987 – and a stagnating lending programme.

The bank has to maintain liquid assets at a minimum of 40 per cent of its undisbursed commitments but has been unable to bring this ratio below 75 per cent in recent years. "We are trying to lower liquidity by paying down a certain part of our debt," Mr Gill said.

Last year, the ADB pre-paid Y38bn in Tokyo, repaid a further Y12bn on schedule and raised only Y30bn through a 15-year 5.3 per cent bond.

It was the first time in the bank's 21-year history that net capital flows have been towards Tokyo, the ADB's largest source of capital. There was a similar position in Germany, where the ADB pre-paid DM405.5m and raised DM169.5m, and in Switzerland, where the bank pre-paid SFr298m and raised SFr145m.

Dealing block stays on Midi convertibles

By Stephen Fidler, Euromarkets Correspondent

SWISS Bank Corporation Investment banking yesterday advised against dealing in the convertible bond issues it had arranged for the French insurance group, Compagnie du Midi, but said it had made no decision to cancel the issues.

The issues – Ecu330m in 2.5 per cent bonds and £275m in 3 per cent bonds – were called into question by the announcement this week that Midi would merge its insurance businesses with those of the French Axa group. The arrangement would establish a complicated series of cross-holdings of shares.

SBCI said it would continue its block on dealing in the bonds announced on Wednesday, adding that it would announce by 5pm London time on May 4 whether the issue would proceed. The issues were due for signing on May 5 and for payment on May 13.

The terms on the bonds, which were designed to deter a hostile bid approach, were the source of controversy. This was because of the dilution of existing shareholders, including the Italian insurer Assicurazioni Generali, and because the pricing would attract early conversion.

Finland changes tax on bonds and deposits

By Olli Virtanen in Helsinki

FINLAND'S GOVERNMENT yesterday decided on a new tax structure for deposits and government bonds, effectively raising taxes on savings and investments. Part of the overall tax reform package, yet to be unveiled, the new laws will tie the tax level to the base rate.

Effective from January 1, 1989, all deposits with interest rates set at four percentage points below the base rate (currently 7 per cent) or lower will be tax free. According to the interest rate cartel agreed by all Finnish banks, current accounts now carry interest rates of 2.75 per cent. The tax free level for 24-month deposits is base rate less 2 percentage points.

The moves, according to Mr Erkki Liikanen, the Finance Minister, are planned to increase competition among Finnish banks.

Interest on government bonds would be tax free, provided the interest rate is below base rate less 1 percentage point.

At the same time, the Government decided on new measures to promote savings by increasing the allowance for tax-free income from capital to FM2,000. A 50 per cent allowance would apply to income between FM2,000 and FM16,000.

Sweden issues 10-year deal in Canadian dollars

BY DOMINIQUE JACKSON

TWO NEW Canadian dollar deals, totalling C$250m, and a three-year $100m dollar bond, provided the only focus of attention in an otherwise lacklustre Eurobond market yesterday.

Secondary markets were generally subdued and the tone overall was bearish, particularly on the Continent where sharp falls in West Germany exerted downward pressure on neighbouring bond markets.

Banque Paribas Capital Markets led a C$150m issue by Sweden, on which the long 10-year maturity was seen as somewhat of a test for the sector. Despite this, the deal was generally well-received. The 10⅝ per cent deal at 101¾ was priced to yield 56 basis points over comparable government bonds and was well bid at a discount of 1.95 percentage points, within its 2 per cent fees.

UBS Securities brought Royal Trustco to the market with a C$100m five-year 10¼ per cent bond at 101⅞, on which the spread at launch was 63 basis points. Dealers said terms were on the tight side but the bond saw steady demand with the bid price quoted at a discount of 1.80, within its 1⅞ fees.

Neither deal was helped by the softer tone of both the US Treasury and Canadian government bond markets where prices eased in low volumes on continued worries about inflation.

However, dealers said that both issues were holding up well. Investor appetite for Canadian dollar deals appears to be returning slowly as the market digests last week's heavy volume of new paper and a couple more deals are said to be in the pipeline.

Prudential-Bache Capital Funding launched a $100m three-year bond for Scandinavian Airline Systems. The 8⅜ per cent deal at 101¼ was priced to yield 78 basis points over comparable Treasuries. Also launched for SAS was a series of 100,000 bearer warrants, convertible into a new 9¼ per cent $100m 15-year bond.

Dealers said the coupon on the deal was at an attractive premium over Wednesday's three-year, $300m bond for GECC which could aid the issue. The name of the borrower also had a novelty value which could appeal to retail investors, although some institutions were expected to steer clear of the paper as SAS is not a rated credit.

Many were sceptical about the accompanying warrants. These were not expected to attract retail interest because such issues tend to be illiquid and due to the long maturity on the bond. However, the lead manager said that most of the warrants had been pre-placed.

Demand picked up yesterday for the GECC deal following a tricky period immediately after its launch. Unconfirmed early reports of the deal's terms proved to be erroneous, making the final terms appear on the aggressive side. However, demand quickened yesterday and the deal improved to be bid locked at a discount equal to its 1⅞ fees.

INTERNATIONAL BONDS

Speculation was rife as to the whereabouts of Wednesday's two one-year US dollar issues for Swedish Export Credit and Procter & Gamble. Swap rates on these exceedingly short maturities provide the issuers with a very cheap source of funds, estimated to be at least 60 to 65 basis points below the London interbank offered rate.

However, their advantages for investors are less patent. Yields on both issues, calculated net of fees, are still around 30 or 40 basis points lower than most investors could get by putting their money on deposit. But some syndicate managers suggested they might appeal to smaller retail accounts unable to commit substantial funds to deposit.

IBJ International took advantage of the last day before Japan's Golden Week holiday to reopen the zero-coupon Euroyen sector, closed for a couple of years, with a Y15bn five-year deal for General Motors Acceptance Corp. The bond was priced at 85¼ to yield 4.611 per cent at launch. The lead manager said the swap-driven deal was targeted at European banks and financial institutions for whom this type of structure offers certain tax advantages.

In West Germany, sustained selling pressure sent bond prices down by more than 50 pfennigs at the longer end of the market. The market undertone has been very bearish for the last two weeks and yields on 10-year government bonds have now risen to around 6.45 per cent from 6.10 last week.

Dealers said foreign investors have virtually deserted the market and worries that the Bundesbank is set to tighten monetary policy have prompted widespread selling.

Despite the market conditions, three new Eurobonds were launched, including the long-awaited DM200m seven-year deal for Greece's Public Power Corporation which carried a 5⅞ coupon and was priced at 100¼. This appeared tight following Turkey's issue earlier this week. Lead manager Commerzbank would not comment on the timing of the deal but said it was bid at a discount of 2⅛, still within the 2¼ fees. However it was quoted elsewhere bid locked on its fees.

Dealers said the Greece deal had a slightly better reception than a DM200m 6¼ per cent 10-year deal at 100¼ for Nederlandsche Middenstandsbank which was only offered at a discount of 2¼, equivalent to its fees. Berliner Handels-und-Frankfurter Bank was lead manager.

In Switzerland, the market was equally bearish but losses were limited in low turnover. A recent issue for Metropolis of Tokyo trading for the first time was well bid within its total fees.

●The Association of International Bond Dealers has won formal approval for designated exchange status under the terms of the UK Financial Services Act. This means the AIBD, which groups firms trading in the Eurobond market, will be viewed on a par with overseas stock exchanges under the new regulatory structure of the British securities industry.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 28

US DOLLAR STRAIGHTS | YEN STRAIGHTS | OTHER STRAIGHTS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Dear Mr. President, Thank you!

PAN AMERICAN SATELLITE

April 14, 1988

President Ronald Reagan
The White House
Washington, DC 20500

Dear Mr. President,

Thank you!

Thank you for responding to my request for help. Three months ago I wrote you to explain that while British telecommunications companies were allowed to do business in the United States, our company, Pan American Satellite, was locked out of Great Britain because of a boycott by Intelsat signatories.

We have come a long way since then, thanks to the dedicated efforts of individuals within your administration, the bipartisan support of members of Congress and their staffs and members of the British Government.*

Pan American Satellite was recently advised by the British Government that it will allow service between the United States and Great Britain on satellites separate from the Intelsat system. This represents a major breakthrough, not only for Pan American Satellite, but for your policies of promoting U.S. exports and international competition in telecommunications goods and services.

President Reagan, your November 1984 determination that private international satellite systems are in the national interest will soon bear fruit. Within a few months we expect to have the PAS I satellite in orbit providing service to North America, Europe and Latin America in competition with the Intelsat System. I know you won't be surprised at the benefits that this simple ability to choose among competing companies will bring to countless people and businesses on the three continents we serve.

The Intelsat boycott is still in effect in other European and Latin American nations. Many more restrictive barriers which stymie the unfettered use of satellite technology worldwide must be eliminated. But I believe that other enlightened governments will follow the example set by you, Peruvian President Alan Garcia and Prime Minister Margaret Thatcher in making the dream of a competitive international satellite marketplace a reality. Happily, the vision and courage of leaders are usually contagious.

Sincerely,

Rene Anselmo, Chairman
Pan American Satellite

**May I single out for particular praise Commerce Secretary C. William Verity; Assistant Secretary Alfred Sikes and key members of the NTIA and ITA staffs; Ambassador Diana Lady Dougan and her entire staff; FCC Chairman Dennis Patrick and his international telecommunications group; and Ambassador Clayton Yeutter and the USTR staff. And in Great Britain: Lord Young, Secretary of State for Trade and Industries; Robert G. Priddle and John Mills of the Department of Trade and Industries; and Professor Bryan Carsberg, Director General of the Office of Telecommunications.*

Tate & Lyle makes £44m thanks to UK sugar side

BY CLAY HARRIS

NEARLY TREBLED profits from UK sugar production enabled Tate & Lyle to show a 9 per cent rise in interim pre-tax profits to £43.8m, from £40.2m, despite lower contributions from North American refining and several other activities.

Tate also said yesterday that expected proceeds from partial disposals of Staley Continental would justify its new $1.42bn (£758m) offer – raised from $1.33bn late on Wednesday – for the US corn syrup and food distribution group.

Mr Neil Shaw, chairman, said: "We don't think that the net cost to us is going to change as a result of the increase." In New York yesterday, Staley shares opened $¼ higher at $37¾, compared with Tate's new $35 tender offer.

A state judge in Delaware is expected to give a preliminary ruling today on Tate's legal challenge to senior Staley executives' "golden parachute" contracts. Mr Shaw said Staley claimed in legal depositions last week to have reduced the contracts' value from the $117.2m figure claimed in one suit.

The higher profits in the 26 weeks to March 26 were achieved on turnover 6.6 per cent down at £792.2m (£848.2m). UK sugar's £8.8m (£3m) contribution offset lower results from Canada £4.9m (£6.8m) and the US £3.4m (£5m). Currency changes were responsible for only half of the North American declines.

In contrast, automotive, industrial and construction products contributed £6.1m (£5m) even after taking account of the fall in the US and Canadian dollars.

Processing and trading accounted for £8.8m (£8.9m), with a mild winter hitting demand for molasses and speciality feeds. The decline to £5.7m (£7.2m) in contribution from service businesses reflected a level result from bulk liquid storage and falls from insurance and agribusiness.

In the first half, Tate spent £2m on development of speciality sweeteners, mostly no-calorie sucralose. Tate and its US partner, Johnson & Johnson, have begun to build a production plant at an undisclosed location.

Tate expects concessions on cane-refining margins recently proposed by the European Commission to increase its UK pre-tax profits by £4m a year. If the plan is approved before the end of the current financial year, however, Tate will receive aninitial £6m because the programme is effective from July 1987.

Taxation of £13.6m (£14.8m) reflected a charge falling to 31 per cent from 37 per cent. As a result, earnings per share rose by 16.2 per cent to 35.2p (30.3p). The interim dividend is raised to 10p (9p).

See Lex

Suchard's Rowntree stake is up to 20%

By David Waller

Jacobs Suchard, the Swiss chocolate group, is believed to have taken its stake in Rowntree to 20 per cent following further purchases in the market yesterday.

But Suchard refused to expand on its intentions yesterday as the board of the York-based chocolate company remained locked in meetings to devise ways of fending off the £2.1bn bid it received from Nestlé on Tuesday.

Suchard would only confirm that it bought 5.8m shares on Wednesday, taking its holding to 18.7 per cent. It is understood to have made further purchases yesterday through its brokers Warburg Securities.

The price paid for the shares on Wednesday was 935p, against the 900.5p value of the Nestlé offer if dividends are taken into account. This compares with the 630p price paid when Suchard accumulated a 14.9 per cent stake.

NHL pleases City with £8.2m

BY DAVID BARCHARD

National Home Loans Corporation, specialist mortgage lender, yesterday announced pre-tax profits of £8.2m for the six months to end-March 1988, slightly more than double last year's corresponding figure.

The result was slightly above expectations and the company's share price rose 6p to 132p. However forecasts of a year-end profit of £20.5m were unchanged.

The growth in profits was achieved despite the changing market conditions during the final two months of last year and the first quarter of the present year, when the margin between the company's mortgage rate and the cost of wholesale funds narrowed.

Since the end of September last year, the company's mortgage book has grown from £992.8m to £1.231bn. At the end of March last year, it stood at £478.5m.

Mr Richard Lacy, the chief executive of NHL, said yesterday that the company was also handling about £700m of mortgage portfolios for third parties, bringing the total volume of mortgage assets it was handling to about £2bn. Net interest income was £10.4m (£5.6m) and other operating income grew from £831m to £2.81m. This largely derives from mortgages being managed by NHL for Barclays, TSB Scotland, Banque Paribas, and Credit Commerciale de France.

Further transactions of a similar nature are being negotiated by the company at present. In addition, NHL recently launched a £100m securitisation, arranged by Citicorp Investment Bank.

Operating expenses grew steeply, rising to £5.8m (£2.6m), though they have fallen as a proportion of mean mortgage assets.

Earnings per share were 6.89p (5.2p) and an interim dividend of 3.26p (2.36p) per share was declared.

Albert Fisher makes fifth Dutch purchase

Albert Fisher Group, food distributor and processor, is to pay up to £5.2m for the Aarsten Group, a Dutch fruit and vegetable importer.

The acquisition, Fisher's fifth in the Netherlands in the past six months, will improve the UK group's sourcing of fresh produce from southern European countries.

Aarsten achieved adjusted pre-tax profits of Fl1.2m (£340,000) on sales of Fl62.9m in 1987. Fisher, which today reports its results for the six months to February, is to pay £2.6m immediately with up to £2.6m linked to profits to the end of 1989.

MS Intl to acquire Hughes Engineering

BY CLAY HARRIS

MS International, the mining equipment and electrical engineering group, is to pay up to £3m for Hughes Engineering, a Leicester-based manufacturer of specialist fire-fighting equipment and precision components for the motor industry.

The deal comes only a month after MS survived a £38m takeover bid from Dobson Park Industries.

To finance the initial consideration of £1.53m, MS will issue nearly 1.34m shares, most of which will be placed with clients of Citicorp Scrimgeour Vickers, the firm which has just been appointed as MS' stockbroker in place of McCaughan Dyson Capel Cure. This will dilute Dobson Park's stake from 29.5 per cent to 28.1 per cent. Additional payments are linked to profits.

By changing brokers, MS is belatedly following Mr Chris York, an analyst and long-time follower of MS, who sparked a small rumpus during the bid by disclosing that Citicorp clients holding about 15 per cent of MS shares were unlikely to accept Dobson Park's offer.

Rush & Tompkins

Rush & Tompkins, property developer, has sold the freehold of Marlowe House, Sidcup, to Marlowe House Nominees, a subsidiary of Dunbest Holdings, for a gross consideration of £12.25m.

David Thomas looks at Racal's boom business – cellular phones

Dialling into the Vodaphone hotline

RACAL'S decision to float its telecommunications group will give the UK market its first chance to value one of the boom industries of the 1980s – cellular telephones.

By unlocking the value of its cellular business, Racal has also succeeded in putting a much higher value on itself should any of the predators, rumoured to have been sniffing around the company recently, decide to strike.

Racal's Vodafone cellular operator has been one of the two networks powering the phenomenal growth of cellular in Britain: launched at the start of 1985, Vodafone has notched up more than 160,000 customers, a figure still growing by more than 1,800 a week.

So spectacular has been cellular's progress that the yuppie clutching his portable phone has become one of the stock figures of the 1980s. But until Racal's decision, it has been impossible to put a figure on this feverish activity.

That was because the two operators were part of larger groups – Cellnet, Vodafone's rival, is 60 per cent owned by British Telecom and 40 per cent by Securicor.

Cellular equipment, likewise, has mainly come from large and usually foreign telecommunications manufacturers; while the retailers, which supply the phones and send the bills to customers, tend to be small start-up companies only just thinking about coming to the market.

The flotation of Vodafone, which will account for virtually all the £45m profits expected from Racal's telecommunications group in 1987-88, will show whether UK investors react with the same enthusiasm to cellular shares as those in the US, the only country with much experience of valuing cellular concerns.

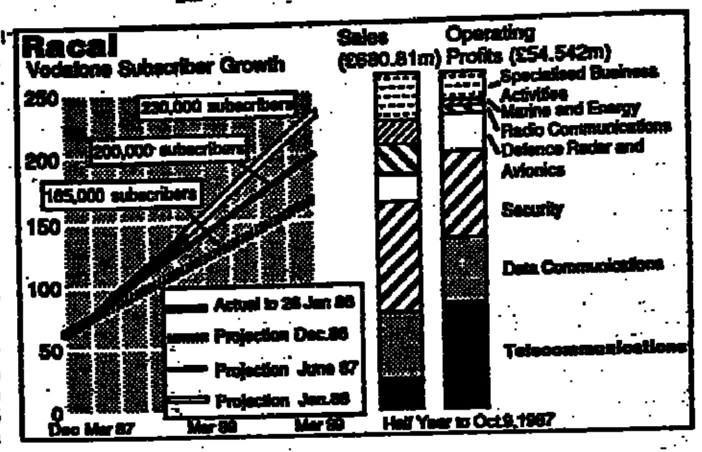
In the US, cellular licences are traded on the basis of the number of their potential customers – known as their "pop" value (the per person of population they cover) – a convenient way of reflecting anticipated cash flow.

Dr Herschel Shosteck, a leading US cellular analyst, has tracked a steady rise in average pop values from $8 in 1984 to $45 in 1987, with licences in the larger US cities changing hands for $77 per pop on average last year.

Some of the big US telephone companies have taken advantage of these spiralling prices by floating off a minority stake in their cellular subsidiaries, thereby raising more than enough cash to pay for the investment needed in their cellular infrastructure.

That is precisely the route now chosen by Racal. It has turned for advice on valuing its unusual subsidiary to Goldman Sachs, which recently completed an exhaustive study of cellular values in the US. Extrapolating from that study would put a value of £1.2bn-£1.7bn on Vodafone.

However, it would be misleading simply to transfer US values to the UK. The US benefits from more tradeable cellular licences and greater investor awareness of cellular. Vodafone benefits from a larger area of operation and the opportunities of extending its operations onto the Continent.



Goldman Sachs will also have to value the parts of the telecommunications group other than Vodafone, including its new paging and private mobile radio operations and its half stake in the Orbitel cellular equipment venture. Much of the remainder of the group is at present incurring losses due to start up costs.

However, there is no denying the underlying strength of Vodafone's position. It has completed its initial burst of investment giving 90 per cent of the British population access to its network.

Future investment will be needed simply to keep up with demand. The company says it needs just £660 investment to sign on a new subscriber, who generates an average £840 revenue a year for the network.

Perhaps the only clouds on the horizon are the fears that a general economic recession or other forms of mobile communications, such as the new generation of cordless phones, will dent cellular's progress. So far, however, the rate at which new subscribers sign on has continued to accelerate and the level of cellular penetration in the UK is still tiny compared with Scandinavia, Europe's cellular pioneers.

The flotation will also generate cash for Racal to reduce its high gearing and pursue its ambitions of expanding its security and data communications businesses in Europe.

Indeed, the rest of Racal looks relatively lacklustre without the Vodafone star. Before the flotation plan, as Mr Patrick Wellington, an analyst at County NatWest, put it, Racal looked like "one very attractive business submerged within six relatively unattractive businesses."

Expanding Apricot tops £8m

BY TERRY DODSWORTH

Apricot, the Birmingham-based computer company, underlined its drive into the software and services sector of the market yesterday when it announced two agreed acquisitions worth a total of £7.2m.

The takeovers were accompanied by year-end figures which underscored the steady recovery in the group's profitability since it was hit by a financial crisis in 1985.

Pre-tax profits doubled to £8.2m (£4m) in the year to the end of March, while turnover rose to £85.1m from £71.2m. With earnings per share up by 89 per cent to 9.53p (5.03p), the board has restored the dividend after a two-year gap to make a total payment of 2p for the year.

Both of the acquisitions, which together will push Apricot's sales well over the £100m a year level, are aimed at reinforcing the group's position in markets where it is already involved.

Sigmex, the larger of the two, is a specialist in computer graphics, translating data into screen displays with a special emphasis on defence and meteorological applications. Adatco supplies packaged software for the insurance industry, one of the big growth markets for information technology companies at present because of the changes in regulations covering the financial markets.

On the basis of Apricot's share price of 101p last night, its all-share offer for Sigmex is valued at around £3.7m. Sigmex, which is quoted on the USM, has recently slid into financial difficulties, running up pre-tax losses of £1m in the six months to December against a pre-tax profit in the previous year of £1.3m.

Profits at Adatco, a private company, also fell last year, amounting to £3,000 pre-tax in the 12 months to August 1987 against £90,000 in the previous year. The purchase price, a mixture of cash and shares, will be related to performance, with an initial consideration of £2.08m, and a further £1.5m depending on targets being met.

● comment

It was not hard yesterday to find City profits forecasts for Apricot next year ranging all the way from around £11m to £13m, a sign both of uncertainty about the company's current recovery and about its acquisitions. An even more cogent indication of these doubts was the share price itself, down 5p after a period of recent strength to 101p. At that level, profits of £11m give a price earnings multiple of only around 8.3 times. This is unduly low, say the enthusiasts, for a company which is currently growing at well over 30 per cent a year, but for the moment the sceptics appear to have the upper hand: for them, it is hard to forget Apricot's past troubles, and equally difficult to believe that the new acquisitions can be rationalised and integrated into Apricot's portfolio as smoothly as the company says.

Telemetrix dealings suspended

By Patrick Daniel

SHARE DEALINGS in Telemetrix, troubled manufacturer of computer graphics display terminals, were suspended yesterday at 33p pending an announcement.

The move followed significant movements in the share price in the previous two days and came at the company's request.

It coincided with the £3.9m takeover offer for Sigmex, a Telemetrix rival, from Apricot Computers.

Telemetrix is not expected to have received a takeover offer. The company said that advanced discussions with a third party centred on ways to strengthen its equity base. A pre-tax loss of £1.68m was incurred for the year to end-June 1987.

An announcement is expected on May 5, coinciding with the company's interim results.

Royal Bank reveals terms

BY DAVID LASCELLES, BANKING EDITOR

The Royal Bank of Scotland yesterday confirmed the terms of its proposed acquisition of Citizens Financial, the Rhode Island-based bank through which it intends to expand into the US market.

Royal Bank will be paying $30.50 per share, giving the deal a total value of $440m (£235m). This represents an historic p/e ratio of 16.9, and a price that is 1.4 times Citizens' book value of $310m at the end of December.

Citizens is a regional bank with 30 branches in Rhode Island and loan production offices in neighbouring New England states. In the last two years its assets have risen from $1.9bn to $2.6bn. Last year, Citizens made pre-tax profits of $43.6m, and earned a further $10.7m in the first quarter of this year.

Royal Bank does not expect to seek funds from its shareholders to finance the acquisition, and at an appropriate time, arrangements will be made to raise loan finance in US dollars. No dilution of earnings is expected.

AAH claims victory over UniChem adverts

BY DAVID WALLER

CARPING BETWEEN the players in the UniChem saga intensified yesterday as AAH, the listed distribution group, claimed victory in its attempt to have adverts issued by the pharmaceutical wholesaler declared illegal.

Phillips & Drew, broker to UniChem, responded contemptuously. "What we are hearing from AAH is the cry of pain of a wounded animal."

The adverts, designed to publicise a controversial scheme linking the issue of new shares in UniChem to the level of purchases, will in future have to be circulated by Phillips & Drew, thus conforming with the provisions of the Financial Services Act.

Mr Bill Revell, a director of AAH, claimed yesterday that UniChem would now have to desist from publishing valuations of the shares based on their anticipated price when UniChem changes its status from friendly society to public company

This was denied by Mrs Marion Burton of Phillips & Drew. The adverts would be toned down a little, she said, since they would be bearing the P&D name, but that they would not change

UK Land soars to £7m midway

SHARES in UK Land, the small property investment and dealing company chaired by Mr Colin Tett, jumped 65p to 663p yesterday as the company announced pre-tax profits of £6.99m for the six months to end-March, compared with £334,000 in the comparable period last year.

Mr Tett warned that the first half saw a high level of activity and the company does not expect this rate to be maintained for the full year. However, he added he was confident that results for the year would "meet with shareholders' approval".

Mr Tett said that four significant portfolios were "dealt with" in the first half, and the resulting disposals brought in dealing profits of £5.74m. The properties retained represent special situations, and should generate growth in the future. Rental income also rose significantly.

The pre-tax figure was struck after interest charges of £1.71m (£461,000). Tax took £2.47m (£118,000) and earnings soared 104.1p (5p). According to Mr Terence Mundy, company secretary, net asset value is 431p per share.

UK Land has recently built up a 6.1 per cent holding in Estates Property Investment Company – currently subject to rival bids from Giltvote, a new consortium, and Peachey Property.

Pilkington's tighter hold in Australia costs £103m

BY CHRIS SHERWELL IN SYDNEY AND MARTIN DICKSON IN LONDON

Pilkington, the British glass manufacturer, is spending A$255.4m (£103m) to buy full control of Pilkington ACI, its Australian associate and the country's only float glass manufacturer, from BTR Nylex.

BTR Nylex, the quoted Australian subsidiary of the British conglomerate, BTR, is selling Pilkington the 50.3 per cent stake which it acquired as part of the recent takeover of ACI International, the Australian glass and packaging group.

The deal has an added piquancy in that 15 months ago the British parents clashed when Pilkington fought off a £1.2bn takeover bid from BTR.

Pilkington ACI, which also manufactures patterned and safety glass, had pro forma pre-tax profits of A$64m in the year to March on sales of A$446m. The sale will yield BTR Nylex a profit of $180m, and this will be added to the $757m the company is raising through Australia's third largest right issue, announced on Wednesday.

Both will help bring down BTR Nylex's high gearing to the 50-60 per cent level through repayment of the heavy borrowings raised to finance the ACI and other purchases.

The sale was not a surprise: ACI and Pilkington of the UK had revised the terms of their joint venture to include just this option during the takeover.

But the price paid by Pilkington, agreed with BTR Nylex after an independent valuation, did surprise the market, and on the stock market BTR Nylex's shares soared 50 cents to $6.70.

Over the past year, numerous British companies have taken advantage of a relaxation of foreign investment guidelines in Australia to buy outstanding shares in subsidiaries and associates there. BTR Nylex said on Wednesday it would pay the Pratt Group $355m for its ordinary and redeemable preference shares in Austrac Investments, the vehicle used to bid for ACI, giving BTR full control of Austrac and thus ACI.

Peter Marsh adds: Pilkington's Visioncare ophthalmic division has announced the planned closure of its factory in Phoenix, Arizona, with the loss of about 600 jobs.

Mr David Roberts, chief executive of Visioncare, said the closure, to take effect by the end of the year, arises from a reorganisation of the business, which is based mainly in the US.

Visioncare, which makes spectacle lenses, contact lenses and ophthalmic chemicals, is centred on two companies, Barnes-Hind and Coburn, which Pilkington bought last year from Revlon, a US company, for $574m.

Possible bid for Geo Armitage cleared before offer is made

BY ANDREW TAYLOR

LORD YOUNG, Trade and Industry Secretary, yesterday took the unusual step of clearing a possible bid by Ibstock Johnsen for George Armitage before an offer had been made.

The Trade Secretary, who wants to end uncertainty and costly delays caused when bids are referred for monopolies investigations, said an offer for the brickmaker, if made by Ibstock, would not be referred to the Monopolies and Mergers Commission.

A previous £69m agreed bid for Armitage was abandoned this year by Hanson, the industrial conglomerate, after the bid was referred to the commission.

Ibstock, a quality brick manufacturer and one of only three remaining independently quoted brickmakers, controls around 7 per cent of the British brick market.

George Armitage, one of Britain's oldest family-owned brickmakers, controls about 2.5 per cent of the British market but about 35 per cent of the engineering brick market.

The company, formed in 1824, announced last October that it was seeking a purchaser after the number of family shareholders had grown to 130; some of whom were hampered from selling their shares, with only Armitage's preference shares with a listed status. The company also felt it would have a better chance of growth in a larger group.

About a dozen companies are understood to have bid against Hanson for Armitage, which made pre-tax profits of £5.85m last year.

Ibstock and Armitage, which jointly approached the Trade Secretary for a ruling, said yesterday's decision did not mean that takeover terms had been agreed.

Armitage said it was talking to several potential purchasers including Ibstock. None of the other bidders were likely to be referred to the monopolies commission. The boom in British housebuilding has helped prompt a string of takeovers of small to medium sized domestic brick manufacturers by larger construction and building materials companies.

At least four small brick concerns, Severn Valley Brick, Hawkins Tiles, Nottingham Brick and Ockley Brick, have been taken over during the last 12 months.

Purchasers include Tarmac, the large diversified construction and building materials group, Blue Circle, Britain's biggest cement manufacturer, and Marley, another large building materials company.

IN BRIEF

ATLANTIC RESOURCES, the Dublin-based USM exploration company, has cut its pre-tax losses by over £3m. Figures for the year to December 31 1987 show losses of I£694,000 compared with I£3.73m. Turnover was down from £891,000 to £238,000. An extraordinary charge — mainly cost of legal action for breach of contract against BHP Petroleum — of £392,000 increased the year-end losses to £1.22m (£3.59m). Loss per share was 0.6p (3.2p) and no dividend is being paid.

KLARK-TEKNIK (USM-quoted designer and manufacturer of electronic equipment): Turnover £2.21m (£2.08m) and pre-tax profits £393,000 (£552,000) for six months to January 31. Directors said second half should show improvement but it was likely profits for full year would be down on 1986-87's £1.14m. First half earnings 1.6p (2.2p) per 5p share. Interim dividend 0.5p (same).

PARKFIELD GROUP has acquired Precision Metal Products (Glamorgan) for £1.2m via issue of 358,208 ordinary shares. For 1986 PMP made pre-tax profits of £133,000 on turnover of £711,000.

JAMES FLEMING & Co has recommended shareholders to accept offer by Dalgety. James Fleming had net assets at January 29 of £1.8m. For many years it was the sole Scottish agent for Dalgety's Spillers range of bread improvers.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div.	Total for year	Total last year
Apricot	fin	1.5§	-	nil	-	nil
Beattie (James)	fin	3	July 1	3.45	4	3.45
Bellway	int	3	-	3†	-	8†
British & Comm	fin	4.5†	-	3	-	6
Clarkson(Horace)	fin	3.25	-	2.75	5.25	4.75
Clydesdale Tst	int	0.5	-	nil	-	2.75
DAKS Simpson	int	3	July 1	2.85	-	8.6
Fenner (JH)	int	3	-	2.5	-	6.25
Gleeson (M J)	int	2.14	-	1.86	-	6.68
Klark-Teknik §	int	0.5	-	0.5	-	1.3
Lendu	fin	nil	-	1.5	1.5☆	1.5
Nat. Home Loans	int	3.25	-	2.36	-	5.64
Scot'sh Mortgage	fin	1.5	-	1.3*	2.3	2*
Slingsby (H.C.)	fin	3.8	-	2.8	5	4
Smaller Cos Tst	fin	1.5	-	1.5	1.5	1.5
TSmallshaw (R)	fin	2.25	-	2	3	2.75
Tate & Lyle	int	10	July 22	9	-	26

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Interim 1.5p paid in December in lieu of any final for 1987.

Pound hits ICI in first quarter

By Peter Marsh

THE STRONG pound depressed the first-quarter figures announced yesterday by Imperial Chemical Industries. Pre-tax profits rose 7 per cent to £356m for the three months ending March 31, roughly in line with City expectations, on sales of £2.94bn, up 6 per cent.

Earnings per share were 31.5p, compared with 28.5p.

Analysts said the strong pound had led to the profit figure being several tens of millions of pounds lower than would have been the case with the exchange rates of a year or so ago.

All divisions, expect fertilisers, performed strongly. The fertiliser business had continued to suffer as a result of difficult trading conditions.

The agrochemicals, paints, plastics and pharmaceuticals divisions had shown especially good growth, the company said. The agrochemicals business, boosted by the acquisition last year of the large crop-protection division formally from Stauffer, US chemicals company.

Turnover was up by 4 per cent compared with the preceding quarter. Overall sales volume rose by 5 per cent with strong growth in continental Europe and the US, but with little growth in the UK.

Selling price increases averaged 1 per cent in local currency between the first quarter of this year and the last three months of 1987. These were offset, however, by translation to sterling which reduced turnover values by 2 per cent.

The company said that although the current world business climate was good, currency movements were having an impact on profits.

See Lex

Bellway rises 51% to £3.3m at midway

By Andrew Hill

Bellway, the housebuilder based in north-east England, increased pre-tax profits by 51 per cent from £2.19m to £3.31m for the half-year to January 31. Its shares rose 11p to close at 250p.

The group completed about 600 homes in the latest period and aims to build some 1,700 in the year, roughly the same as 1986-87. Mr Alan Robson, finance director, said that in 1988-89 Bellway hoped to complete more than 2,000 homes.

He said Bellway, which is mainly active in the south-east and north-east of England, anticipated a surge in house prices and profit margins in the north.

First-half turnover rose to £35.3m (£31.2m) and earnings per share from 5.9p to 8.4p. The company said the performance of the Golding Group, acquired in March for £4.9m, was particularly pleasing.

The interim dividend is unchanged at 3p, but the company intends to review the rate of the final dividend.

During the half-year, group operating margins rose to 11.4 per cent, compared with just over 10 per cent at the July year-end. Bellway added that it now had the strongest land bank in its history, consisting of some 6,000 plots, about three years' supply.

The urban renewals division had set up several partnership arrangements and joint developments with housing associations.

Hanson sale

Hanson Industries, the US branch of Hanson, the industrial conglomerate, has sold P T Semen Cibinong, an Indonesian cement manufacturer, for $28m (£15.0m) in cash. The 48 per cent holding in P T Semen has been sold to another Indonesian corporation, P T Tirtamas Majutama.

Hanson acquired its shareholding as part of its purchase of Kaiser Cement in March last year.

William Baird in £28.4m agreed bid for Windsmoor

BY ALICE RAWSTHORN

William Baird, the textile and engineering group, is augmenting its branded clothing interests by mounting a £28.4m agreed takeover bid for Windsmoor, the womenswear company.

Windsmoor, which was founded in the 1930s, is best known for its Windsmoor and Planet ranges which are sold in department store concessions across the country.

Baird is the third largest clothing manufacturer in the UK, but most of its clothing is manufactured on contract for multiple retailers, including Marks and Spencer and Storehouse. It has been keen to add to its branded clothing – which includes Dannimac rainwear – for some time and began discussions with Windsmoor last autumn.

Mr Donald Parr, chairman, said the acquisition represented "a rare opportunity" to secure "two well-established clothing brand names which are well-known up and down the country".

Baird is offering one of its shares and 20p in cash for every four Windsmoor shares, with a cash alternative of 122p a share. Windsmoor shareholders will also retain a second interim dividend of 2p.

The Baird share price fell by 7p to 493p yesterday, while Windsmoor's rose by 20p to 127p. Baird is advised by Robert Fleming, and Windsmoor by Baring Brothers.

Baird has already received acceptances representing 68.6 per cent of the equity. Once the acquisition is completed the existing Windsmoor executive directors will remain on the board, except Mr Lionel Green, who is retiring.

Windsmoor's pre-tax profits for the year to January 30, announced yesterday, fell slightly from £3m to £2.9m chiefly because of increased interest payments and the need to reduce excessive stock levels from the previous year.

Turnover rose from £59m to £66m. Mr Brian Green, who will continue as chairman after the takeover, said that borrowings and stock levels have since been reduced.

The City reacted favourably to the bid. Mr David Buck, textile analyst at Barclays de Zoete Wedd described it as an "eminently sensible" deal. Most analysts expect Windsmoor to increase Baird's pre-tax profits by about £2m to £32m this year, with slight earnings dilution.

The benefits of pooled resources and cost cutting should emerge the following year.

Row over TV-am stake defused

BY RAYMOND SNODDY

THE ROW over Beaverbrook Investments, the Saudi-controlled investor in TV-am, the commercial breakfast television station, appeared to have been defused yesterday.

The directors of Aitken Telecommunications Holding NV announced that the company, which already had a 67.54 per cent stake in Beaverbrook Investments, has bought out the minority investors, giving it 100 per cent of Beaverbrook.

Henry Ansbacher, merchant bank, said yesterday the shares were being purchased at a price of 162p through stockbrokers Capel-Cure Myers. The shares were placed at 100p each in July 1986.

Beaverbrook currently owns a 15 per cent stake in TV-am, but has agreed to sell 5 per cent to Mr Michael Luckwell, former managing director of Carlton Communications for £4.6m.

Beaverbrook's remaining stake of just under 10 per cent in TV-am is now entirely controlled by Saudi interests and has been disenfranchised in line with the requirements of the Independent Broadcasting Authority.

The IBA told Beaverbrook to reduce its stake to below 10 per cent following the disclosure that since last summer Beaverbrook's stake in the channel has been controlled by Saudi interests.

Beaverbrook has indicated it intends to sell the remaining 10 per cent stake and Mr Luckwell has expressed an interest.

Fenner climbs 50% to £4.51m

BY ANDREW HILL

J.H. Fenner (Holdings), power transmission and conveyor belt manufacturer, reported pre-tax profits of £4.51m for the six months to February 29, an increase of 50 per cent on the £3m made in the equivalent period.

Mr Peter Barker, chairman, said that almost all divisions had improved in the half. He warned shareholders that the strength of the pound was of growing concern to the company, affecting both the translation of US profits into sterling and the ease with which Fenner could export to the US.

Adverse exchange rates only cut profits by between £120,000 and £130,000 in the first half, but Mr Barker said he expected the effect on the full-year results would be more serious. About 15 per cent of Fenner's business is in North America.

The UK company reduced its stake in Fenner (India) from 40 per cent to 25 per cent last year, and its share of losses there fell from £469,000 to £216,000 in the first half. An extraordinary loss of £130,000 represented the cost of factory closure and a voluntary severance programme in India.

Fenner's Australasian mining interests had a disappointing first half, but Mr Barker said he expected a strong recovery in the second half.

Turnover rose to £83.9m (£76.3m) and interest payable was down more than 15 per cent to £1.44m (£1.71m).

Earnings per share rose to 6.66p (4.55p) and Fenner declared an interim dividend of 3p (2.5p).

● comment

Fenner's injection of local management into its Indian operation seems to be paying off. The benefits should come through to pre-tax profits next year if, as expected, the Indian company begins to break even in the second half. The wholly-owned divisions have also been taken in hand. Conveyor belting is backed up by continuing Coal Board custom – it has just received its largest single order to date for equipment in the Selby coalfield. Improved efficiency should translate into improved volume at the Hull-based power transmission division, which must now look to sell more into Europe. If exchange rates do not mar the full-year results too badly, Fenner should make about £10m before tax. Assuming a reduced tax rate – 41 per cent at the halfway stage was higher than expected – the shares are on a prospective p/e of about 10, fairly valued if Emerson Electric's 25 per cent holding remains dormant.

Parsons takes stake

Parsons & Co (Nominees) now owns 5.04 per cent of Macallan-Glenlivet, the malt whisky distillery.

Eurotunnel discounts fares threat from P&O

By Andrew Taylor

P&O will have to achieve far greater savings than it is presently seeking on its cross-Channel ferry operations if it is to undercut Channel tunnel fares, Eurotunnel claimed in London yesterday.

Mr Alastair Morton, joint chairman of Eurotunnel, the Channel tunnel operator, presented the Anglo-French group's first annual report. He said he could see no reason to amend Eurotunnel's forecast made last November at the time of its £770m international flotation. This had estimated that cross-Channel passenger fares would decline by 5 per cent in real terms between 1986 and 1993, when the tunnel is due to open.

Mr Morton said passenger fares had risen by 8 per cent in real terms since 1986. To upset Eurotunnel's forecasts P&O would need to achieve sufficient savings to allow it to reduce prices by more than 12 per cent in real terms as well as obtain an adequate return on investment in new ships.

There was no way this could be achieved, given that P&O had a target of raising its investment return from 9 per cent to 25 per cent.

Mr Morton told City analysts that growth in cross-Channel passenger traffic had exceeded expectations. To meet Eurotunnel's investment forecasts passenger traffic needed to increase at a rate of 3½ per cent between 1986 and 1993. In 1986 and 1987 passenger traffic had increased on average by 10½ per cent.

With no sales, revenue or profits to report – all costs are being capitalised – progress is being measured in metres rather than pounds or francs. About 1,200 metres of the tunnel have been dug on the British side. The failure of a French company supplying tunnel boring machines, has put the French side about three months behind schedule.

According to the annual report, £444m has been spent so far. This includes construction costs of more than £200m and £150m on financing costs to raise almost £6bn in loans, standby credits and equity.

This year Eurotunnel expects to spend about £650m, mostly on construction.

● Peninsular & Oriental Steam Navigation Company has placed 3m units of deferred stock with Australian institutional investors. The placing, which priced each unit at A$13.87 (£5.58) raised A$41.6m.

Goodwill change hits B&C profits

BY CLAY HARRIS

British & Commonwealth Holdings, diversified financial services group, yesterday reported 1987 pre-tax profits of £130.9m. The figure was depressed by an unexpected change in the accounting treatment of goodwill, the amount by which the prices paid for acquisitions exceed net tangible assets.

Against the trend of most British companies, B&C is to amortise goodwill - write it off against profits - over 25 years, rather than deduct it immediately from reserves. As a result, its 1987 profits were reduced by £14.6m and the 1988 figures will face an estimated charge of £29m.

B&C said the change would more adequately reflect the strength of its balance sheet. At the end of 1987, it had £450m in tangible assets and £750m in goodwill, which arose through acquisitions including Exco and Mercantile House Holdings.

One reason for the policy change is to enable to the group to make additional large takeovers of financial services companies. Mr Peter Goldie, chief executive, said B&C was especially interested in US-based electronic financial data groups, although he denied any interest in Dun & Bradstreet.

On turnover of £919.7m (£432.4m), group operating profit more than trebled to £170.3m (£51.5m), an increase which reflected the first full-year contribution from Exco and the entry of Mercantile House in September. In addition to the goodwill charge, B&C also paid an initial £24.8m interest payment on convertible loan stock.

Tax of £56.3m (£18.9m) reflected a higher rate of 38.7 per cent (36.7 per cent). From 14.8p in 1986, earnings per share rose to 22.5p before amortisation, 18.1p afterwards, and 17.9p fully diluted. A proposed final dividend of 4.5p will raise the total to 8p (6p).

Mr Goldie also said that B&C was moving closer to selling Mercantile House's wholesale brokers, M.W. Marshall and William Street Holdings, the £280m disposal of which to Quadrex Holdings collapsed in February. The brokers' managements were the front-runners as buyers.

Negotiations about a management buy-out at Bricom, holding subsidiary for the commercial and service activities, were also proceeding. Mr Goldie said: "We will sell Bricom. If it doesn't go to management, it will go elsewhere."

B&C expects Bricom to be valued at least at £350m and will probably keep an equity stake. The businesses accounted for operating profits of £30.5m (£27.2m) in 1987.

Of other divisions, moneybroking contributed £44.7m (nil), investment management £14.9m (£8.6m), including £3.8m in 3½ months from Oppenheimer, US fund manager acquired with Mercantile House, leasing £9.1m (£2.5m), banking £3.1m (£1m), property £2.2m (£4.4m), and other £10.4m, including £8m from Marshall and Williams Street (£1.9m).

Development capital and investment activities contributed £46.7m (£8.7m) despite a loss of £15m on copper options by Kaines, commodity trader, which is being run down. B&C also took a £30.7m extraordinary provision against its investment in Kaines.

The group warned that at least £20m of the investment profit represented the realisation of part of its historic portfolio in the first half of 1987. The level of profits was unlikely to be repeated in the short term.

Similarly, the £16.5m profit from forfaiting is likely to fall to £9m this year in the wake of the flotation of former subsidiary, London Forfaiting.

See Lex

Serco to join market with value of £19.4m

BY PHILIP COGGAN

Serco Group, a facilities and project management company, has become the latest management buy-out to join the stock market.

The group is being floated with a value of £19.4m, just one year after the British management team bought the former RCA Service Division from General Electric of the US for £14m.

Serco's business ranges from the management of the Ballistic Missile Early Warning System at RAF Fylingdales to the maintenance of a quarter of the traffic lights in the Greater London area.

The company specialises in taking complete charge of a facility and then making substantial costs savings. "By starting with a clean sheet we can often eliminate inefficient working practices," explained Mr Richard White, the managing director.

About 60 per cent of the group's turnover comes from the Ministry of Defence and the armed forces but the group hopes that its customer list will expand gradually to include more industrial and commercial groups.

Between 1983 and 1987, pre-tax profits increased from £1.32m to £3.14m while turnover rose from £15.7m to £39.3m over the same period. Interim profits for this year are forecast to be £1.7m.

Lazard Brothers is placing 3.15m shares, 37 per cent of the equity, at 230p each, putting the shares on a historic p/e of 14. The issue will raise about £5.8m for the company. This will largely be used to pay off the preference share capital. Gearing, which was 300 per cent at the end of 1987, is expected to fall to 30 per cent by the end of this financial year.

Braithwaite £31m agreed bid for SPP

BY NIKKI TAIT

Braithwaite Group, the engineering group where new management moved in at the beginning of 1987, yesterday launched a £30.7m recommended bid for SPP, a Reading-based designer and supplier of fluid handling systems.

If successful, it will be the second significant acquisition by Braithwaite since the management changed; a year ago, it acquired a heat equipment manufacturer (Andrews Group) for £27m.

The latest cash and shares offer, with full cash alternative, is being financed by £25m five-year revolving loan facility from Midland Bank, with Midland providing a further working capital facility of up to £15m for SPP to refinance borrowings.

SPP was bought out by management from Booker McConnell in 1983 for £9.3m, and came to the market at 125p two years later. In 1987, it saw pre-tax profits fall from £2.83m to £2.02m – partly due to reorganisation – although sales rose by almost £4m to £43.8m.

Braithwaite, meanwhile, estimated pre-tax profits of £3.7m for the year to end-March, coming predominantly from the Andrews business. The two companies already share a chairman – Mr John Nutt – although he has exempted himself from the SPP board recommendation.

The terms of SPP offer are 32 new Braithwaite shares and £79.16 in cash for every 100 SPP. With Braithwaite down 5p to 255p yesterday, the offer is worth 159p for every SPP share. The cash alternative is 155p, and SPP shareholders may also elect to take more Braithwaite shares, to the extent that there are compensating elections for cash.

SPP directors and their families have given irrevocable undertakings to accept in respect of their aggregate 6.24 per cent stake.

Yesterday, SPP shares rose 32p to 155p.

Porvair returns to USM after six-year absence

BY FIONA THOMPSON

Porvair is doing a soft shoe shuffle onto the Unlisted Securities Market.

The maker of microporous polymer materials for use in the manufacture of soccer balls, shoes, foul weather clothing, filters and air fresheners is returning to the market after a six-year absence.

Porvair was the subject of a management buy-out in 1982 when its then parent, United Technologies Corporation of the US, decided Porvair did not fit in with its long-term plans.

Prior to the buy-out the business had a fairly narrow technology base: its then principal product – poromerics – was used mainly in shoe uppers. It is now also used in the manufacture of footballs and other sports goods.

The company now produces three other products as well: permair, porelle and vyon. Permair is a material used to upgrade poor quality leather.

Porelle is a waterproof material used in ski gloves and sports clothing. Vyon is used in filters, pneumatic silencers, room fresheners and battery vents.

Guinness Mahon is placing 4.66m shares, 41.1 per cent of the enlarged share capital, at 78p each, valuing the company at £8.86m. Existing shareholders are selling 812,500 shares and the company is issuing 3.85m new shares to raise £2.66m, to be used to repay loans, expand and make acquisitions.

Pre-tax profits have increased from £270,000 in 1984 to £1.07m last year, putting the shares on a historic p/e of 12.1.

DAKS profit rises 25% to £2.33m

DAKS Simpson Group, tailor and clothier, saw pre-tax profits for the six months to end-January 1988 rise by 25 per cent from £1.86m to £2.33m. This was achieved on turnover up 13.6 per cent from £25.99m to £29.51m.

Mr John Mengers, chairman, said that full order books resulted in record levels of output from the company's manufacturing units. Retailing had been less buoyant but had held up well by increased mail-order and Japanese visitors.

After tax of £848,000 (£689,000), earnings rose to 23.33p (18.47p) and the directors declared an interim dividend of 3p (2.25p).

Progress at Lendu

Lendu Holdings, engaged in rubber production and investment, raised its 1987 profits from £60,467 to £169,640 pre-tax. Turnover decreased from £128,993 to £121,271.

Income from fixed assets rose to £79,737 (£53,436) and interest income to £79,256 (£37,874). There was a net gain on exchanges amounting to £40,749 (£2,305).

Earnings totalled 5.58p (1.72p) per 5p share – an interim dividend of 1.5p (nil) was paid in December in lieu of any final (1.3p) for the year. A scrip issue on a three-for-one basis is proposed.

There was an extraordinary gain of £478,957 (nil) resulting from a compulsory acquisition in Malaysia. Proceeds from the sale of the Colly Farms interests will be taken into the 1988 results.

Norex dives into the red with £0.3m loss

Norex, the shipping company formerly known as Common Brothers, plunged into the red in the six months to December 31 1987 with pre-tax losses of £300,000 compared with profits of £732,000 previously.

At the 1986 year-end, the company's profits were £1.38m (£1.02m).

Turnover in the opening half of the current year improved from a restated £16.49m to £23.56m, but there was an operating loss of £280,000 against a profit of £823,000.

Loss per 1p share was 0.05p (1.38p earnings).

The chairman said that while results for the half-year were disappointing, they were explicable and he remained confident that the company would produce future growth.

Cookson in $40m buy

BY PATRICK DANIEL

Cookson Group, specialist metals and chemicals manufacturer, yesterday announced the acquisition of Neptco, a US chemicals company, for an initial consideration of $40m (£22m).

Neptco, based in Pawtucket, Rhode Island, manufactures specialised polymeric materials mainly for the insulated wire and cable industry. It reported pre-tax profits of $5.5m in 1987 on sales of $32m.

Further payment for the acquisition will depend on the US company's profits in the period from April 1 last year to December 31 1989.

Mr Michael Henderson, Cookson's group chief executive, said there was synergy between the two companies both in production and marketing. Neptco will form part of the growing plastics division of Cookson America.

The group has entered into service agreements with Neptco's senior management who will continue to run the business.

Cookson, whose share price fell 7p yesterday to close at 526p, last month reported pre-tax profits of £144m for 1987, up 52 per cent.

Vickers in £9m expansion

Vickers is adding to its medical products division the Medico Teknik division of Simonsen & Weel, a private company based in Copenhagen.

Vickers is paying DKr106m (£8.8m) for the business, which makes a range of electronic healthcare equipment, including pacemakers, disposable electrodes and monitoring devices for the critically ill.

News of the acquisition coincided with Vicker's annual meeting at which Sir David Plastow, chairman, said the first quarter results showed good progress.

He added that he had received a number of bids for Comforto Vickers.

Expansion for Horace Clarkson

Despite again incurring a small loss in its financial services division, Horace Clarkson – its other interests include shipbroking, insurance broking and shipowning – increased 1987 pre-tax profits from £2.71m to £3.46m.

The total dividend is raised from 4.75p to 5.25p net, with a final up from 2.75p to 3.25p. Stated earnings per 25p share improved from 8.4p to 10.1p.

Commenting on the financial services loss, the directors said negotiations were under way for the disposal of the company's 75 per cent equity interest to a group whose business was concentrated on that type of activity.

H.C. Slingsby rises

H.C. Slingsby, manufacturer of trucks, ladders and ancillary equipment, raised pre-tax profits 60 per cent in 1987 from £223,782 to £359,342 on turnover of £7.59m (£6.42m). Profit attributable came out at £229,301 (£142,204). A final dividend of 3.8p is recommended for a total of 5p (4p), on earnings per share of 22.9p (14.2p).

Gleeson

M J Gleeson Group announces profits up from £2.9m to £3.4m in the six months to end-December. The taxable figure was scored on turnover up from £44.92m to £47.12m.

The directors expect turnover for full year to exceed £100m leading to record profits before and after tax. The interim dividend is 2.14p (1.88p).

Full flotation for ASW

BY NICK GARNETT

ASW Holdings, the Cardiff-based steel maker and re-roller which was bought last year by a consortium including City institutions and the management, confirmed yesterday that it will go ahead with a full flotation, either next month or in June.

The company, set up in 1981 as the first of the Phoenix businesses established between the British Steel Corporation and the private sector, announced a pre-tax operating profit of £34.2m for last year on sales of £328.1m.

That compared with £19.9m in 1986, confirming a steadily improving profit trend through the company's life. In the first three months of trading in 1981 it incurred a loss of £5m.

The total capitalisation value of the company on flotation is likely to be between £120m and £130m. BSC will retain its 20 per cent stake whatever the structure of new share issues.

ASW, which has made major strides in improving productivity and has reduced its workforce from 4,200 in 1982 to 3,100, produces wire rod, reinforcement bars and sections as well as wire and nails. A half of the group's sales last year came from the UK construction industry.

Apart from the main steelmaking site in Cardiff ASW has a rod mill at Scunthorpe and reinforcement plants in Sheffield and Birmingham.

All the company's products are free from quota controls in Europe. Mr Alan Cox, chief executive, says the total European market for products made by ASW is about £4.5bn and it has some 70 competitors in Europe.

The merchant bank handling the flotation is SG Warburg and the brokers are Warburg Securities.

Clinton allocations

Clinton Cards has announced the result of its combined placing and offer-for-sale. Of the 3.17m shares placed 1.18m shares were offered to the public at 150p each; the offer-for-sale element was more than eight times oversubscribed.

The basis for allocations will be as follows - those who applied for 100 shares will receive 100; 200 shares - 150; 300-1000 shares - 50 per cent of those applied for; 2,000-3,000 shares - 600; 4,000-5,000 shares - 700; 6,000-10,000 shares - 12.5 per cent; 15,000-20,000 shares - 10 per cent; 25,000-40,000 shares - 2,200; and 50,000 shares and over - 5 per cent.

Clay Harris analyses how BET is at last beginning to look like a more streamlined concern

One conceptual umbrella makes it a surer bet

HAS BET finally got its act together?

After more than five years of buying and selling companies by the score, the former British Electric Traction is closer to achieving its goal of a coherent strategy than at any other time in decades.

In recent months, the emphasis has been on disposals.

This week, BET put its Argus Press magazine and local newspaper subsidiary up for auction. Estimates of the proceeds begin at £200m.

Earlier, it had sold its flight simulation business for £151m to Hughes Aircraft of the US, and other house-cleaning sales are close to completion.

When the latest crop of disposals is completed, nearly 95 per cent of BET's profits will come from support services – the conceptual umbrella the group has unfurled to shelter a broad range of recurring services to industry.

These include textile rental and other washroom services such as hand dryers, cleaning and waste disposal, scaffolding and plant hire, property improvement, security and communication, distribution and specialist construction.

BET's message is: "We will take the problem off your hands," according to Mr Nicholas Wills, chief executive.

To illustrate its vision, BET often muses in presentations to analysts and potential investors about an airport where it provides every service – bar air traffic control.

This, BET admits, is only hypothetical at present. However, the model comes close to reality at IBM's plant at Greenock, Scotland, where BET performs so many services – including invoicing the US computer maker's suppliers – that it has 200 staff permanently on site.

Certainly, BET has cashed in as well as any company on the international trend towards contracting out service jobs.

As Mr Wills tells analysts, "These services are not very price-sensitive because they are at the lower end of the customer's cost bases and are non-discretionary purchases – you certainly couldn't take the towels out of the restrooms."

If it all looks logical now, however, this is the end of a tortuous process set in train by the acquisition in 1983 of the outstanding minority in Rediffusion.

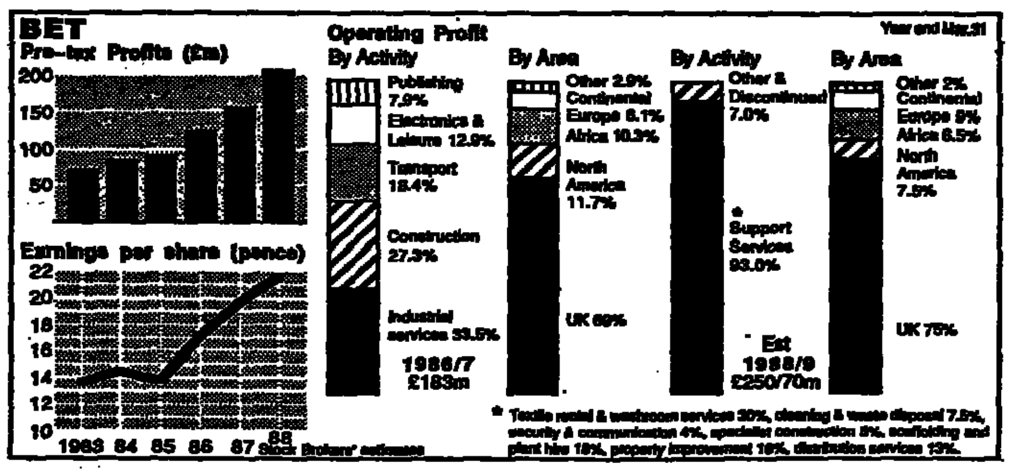
Since then, most of the constituent parts have been rediffused to a variety of buyers, and BET will soon be left only with Rediffusion's piped-music and television installation businesses, as well as 28 per cent of Thames Television, ITV's weekday franchise holder for London.

In 1985, BET finally got Monopolies and Mergers Commission clearance to buy out the majority of Initial, its long-time associate company. This has formed the core for expansion of textile rental and washroom services.

One non-core investment which BET is likely to retain at least until the end of 1992 is the Thames stake.

In 1986, an agreed sale to Carlton Communications was blocked by the Independent Broadcasting Authority, which judged that control should not change mid-franchise.

BET still wants to sell the Thames holding, but small placings would dilute a potential premium, which is not reflected in the current market value of £42m.



It also owns 12.8 per cent of Capital Radio, the London commercial station.

Similarly, BET is willing to hold on to its last passenger transport operations – bus services in Kenya, Zimbabwe and Malawi – until the right circumstances come along.

The South African business was sold earlier the year.

The Thames stake was originally the consolation prize for Rediffusion's loss of the lucrative London weekend franchise

In same decade, the Labour Government's nationalisation of BET's remaining UK bus interests – although resisted at the time – provided the wherewithal for subsequent investments.

Although Thomas Tilling, a conglomerate with similar origins in public transport, fell prey to BTR in 1983, BET – founded in 1896 to generate electricity for tramways – so far has only occasionally brushed against bid speculation.

Far more often, BET has been on the defensive against criticism that it was "amorphous" and unaggressive by comparison with other conglomerates such as Hanson and BTR, with an attractive dividend yield as its only redeeming value.

Its bid strategy is certainly different.

Mr John Griffiths, finance director, says: "In our fragmented markets it is often more effective – and much cheaper – to buy small, private companies. We have made more than 150 acquisitions in the last six years and only one was hostile."

That is true in the sense that only HAT, the paints, scaffolding and cleaning group, held out to the end, although BET had to raise its offers to win recommendations in several other cases.

When all the announced disposals are completed, BET will have eliminated all its borrowings.

This will hardly make it cash-rich, but BET will have to guard against any intruders climbing through a window of vulnerability, as Peek recently did to Dubilier soon after the electronics connectors maker banked the proceeds of a £37m disposal.

Far more likely, however, is that BET will embark on acquisitions long before the money is in the bank.

Its borrowing facilities allow it to raise its sights as high as £750m, not far short of half its own market capitalisation, without unduly straining gearing, which was as high as 63 per cent as recently as March 1987.

The official – and credible – line is that BET will continue its policy of steady additions to the existing range of services. Security, for which Shorrock acts as the flagship, is one likely area for expansion, with industrial catering perhaps the best bet for a new activity.

The financing is there, however, for a bigger bite.

UK competition considerations as well as an underweight exposure in North America suggests that attention should focus on the other side of the Atlantic.

BET itself will not be drawn further than to admit the logic of this argument, as well as to point to 1992 and all that.

In the past years, it has laid the groundwork on both continents by gaining share listings on six non-UK exchanges which could fulfil three needs at once: ease of vendor placings, publicity for its businesses and a boost to employee morale by giving a local focus for share option plans.

But for City analysts with a taste for provocative whimsy, one habitual candidate as a BET target is Bermuda-based ADT, formerly Hawley Group. Especially after the acquisition of the US security systems group from which it took the new name, ADT has the US exposure that BET lacks.

ADT also shares the vision of creating a worldwide services group, and arguably has gone further along the road in creating it.

What especially tickles the analysts' fancy is the memory of BET's simultaneous bids for HAT and Brengreen Holdings, the contract cleaner.

Hawley's intervention by building up strategic stakes in both targets forced BET to go higher, but also ensured that it won in the end.

It is possible, of course, that ADT – although smaller at present with the value of its constituent parts not reflected in the share price – harbours similar ambitions towards BET.

Either way, a match between the two would set the sparks flying.

Micro Focus £1.6m in profit

BY VANESSA HOULDER

Micro Focus, the computer software house, yesterday announced its first full year profit since 1985, with a pre-tax figure of £1.56m for the year to 31 January 1988, compared with a pre-tax loss of £0.3m last year.

Revenues increased from £13.1m to £15.9m, although when stated in dollars, in which most business is transacted, revenues grew by 42 per cent from $19.7m to $28.2m. Earnings per share were 9.9p, against a loss of 3p last year.

Mr Colin West, managing director, said that during the year Micro Focus had experienced solid growth in both package product sales and sales to manufacturers. Sales in the US, which account for half the turnover, increased by over 30 per cent and those in Japan by 199 per cent, marking a recovery from the downturn of 1986. Sales in Europe were static following a sharp increase in turnover last year.

Micro Focus, which was one of the City's favourite high technology stocks during its first two years on the stock market, plunged into losses following the general downturn in the computer industry which left it with doubtful debts. In 1987 cash flow continued to be strong, with a net inflow of £2.1m, Mr West said. Net borrowings at the year end were £0.5m.

He added that the introduction of the COBOL/2 packaged product line, which is sold direct to users, had boosted sales of packaged products in the second half. The new COBOL/2 package is a version of the product sold to IBM for its new personal computer last April.

In 1988 the company plans to expand its distribution channels, with further expansion in Europe and Australasia. Mr West said it also expects to see a significant increase in its marketing costs.

Overall, the company expected to see continued revenue growth, a further strengthening of its cash position and some improvement in profitability in 1988, although it was vulnerable to a further fall in the dollar, he said.

Following the announcement of the results the share price dropped from 168p to 160p, after rising sharply earlier in the week.

City analysts predict pre-tax profits of about £2.8m in the current year which, assuming a tax rate of 32 per cent, puts the shares on a multiple of 10.

James Beattie profits ahead to over £7m

James Beattie, department stores company, increased pre-tax profits from £6.58m to £7.24m for 1987-88 on the back of a £4.57m advance in sales to £56.16m excluding VAT.

The results were affected by difficult trading conditions, particularly in sales of summer and autumn fashions, the directors said. However, sales in January were particularly buoyant.

Negotiations were in hand to expand the company's geographical trading base. The expansion of the Sutton Coldfield store was expected to be completed in September.

Earnings for the year to January 31 worked through at 10.23p (9.33p) and a final dividend of 3p makes a total of 4p (3.4532p).

COMPANY NEWS IN BRIEF

BONAR INC, Canadian offshoot of Low & Bonar, increased income before taxes from C$3.3m to C$4.07m (£1.76m) in the three months to February 27. Sales rose from C$47.15m to C$50.8m. A dividend of 13 cents is to be paid for the quarter on earnings per share of 49 cents (45 cents).

CHILD HEALTH Research Investment Trust: net asset value to end-1987 was 32.2p and 34.6p at April 15. Gross revenue £78,000 (£215,000) leaving a deficit of £6,000 (revenue £48,000).

CLYDESDALE INVESTMENT Trust: net asset value per 50p ordinary share came out at 95.5p (124.6p). Total income fell to £231,000 (£348,000), which after interest and expenses left a pre-tax loss of £6,000 (£220,000 profit). The loss per ordinary share was 0.45p (1.06p profit). The interim dividend is being reintroduced at 0.5p.

DRG has acquired the Spectral Technology Group for an aggregate £3.14m. The company, which designs and manufactures accelerated drying systems for use in printing and packaging, has a turnover of £6.5m.

GEEST: the Kuwaiti Investment Office has 6.99m ordinary shares (10.1 per cent).

UNITED GUARANTEE (distribution services): Turnover £9.35m (£8.21m) and pre-tax profits £152,000 (loss £147,000 restated) for 1987. Profits struck after £149,000 (nil) exceptional debit, being provision for unrealised losses on quoted investments. Directors said company now had firm base for further expansion.

MAJEDIE INVESTMENTS made net taxed revenue for half year ended March 31 1988 £709,000 (£695,000). Earnings 2.7p (2.65p) and interim dividend again 2p. Investment income £1.38m (£1.34m). Net asset value 257p (344p at September 1987).

NESTOR-BNA is buying Nursaid for £357,000 cash. Nursaid is a three office nursing agency and should contribute some £85,000 profit in a full year.

RIO ALGOM, RTZ's Canadian subsidiary, had net earnings before tax and minorities of C$50.63m (£22m) in the three months to end-March, compared with $30.49m in the same period of 1987. Consolidated net earnings came out at $26.43m ($16.21m) and earnings per share at $0.5 ($0.36).

SMALLER COMPANIES International Trust: Net asset value 123.4p per share, against 123.1p, at year end March 31 1988. Gross income rose 76 per cent from £1.13m to £1.99m. Profit available for ordinary shareholders came out at £583,000 (£590,000) and earnings per share at 1.48p (1.5p). The dividend is unchanged at 1.5p.

VIDEO TAPE Recording achieved turnover of £1.4m in half year ended February 29 1988 (£1.06m) and profit before tax of £447,000 (£360,000). An interim dividend of 0.8p is declared and a minimum final of 1.5p is expected. An increasing proportion of turnover was from work on television commercials. Company came to Third Market last November.

R. SMALLSHAW (KNITWEAR): Turnover £9.49m (£9.69m) and pre-tax profits £440,247 (£413,836) for 1987. Earnings 11.487p (10.752p) and final dividend 2.25p making 3p (2.75p). Extraordinary charge £23,358 (£347,945) being final balance of costs of closing Castle Knitwear. Improved profits expected in current year.

CONTRACTS

Uxbridge office project

In its first major office acquisition outside Central London for some years, Land Securities has moved into the Western Corridor with the £7.25m purchase from John Laing Developments of a strategic island site in a prominent location in the centre of Uxbridge where an office/leisure complex development has already started.

The scheme was introduced to Land Securities by The Lysander Group who agreed the purchase of the site from John Laing Developments and have retained a continuing involvement in the project.

Known as "Uxbridge One," the development will provide 140,600 sq ft net of air-conditioned offices with car parking for 389 cars and features a large central atrium. There will also be a new Rank twin-screen cinema.

LAING MANAGEMENT CONTRACTING has started work on the £20m contract and the scheme is due for completion at the beginning of 1990. "This is probably one of the best sites at the beginning of the Western Corridor and what's more we will have a building up and ready in less than two years" said Mr Peter Hunt, chairman of Land Securities.

Five-storey office block at Slough

CYRIL SWEETT & PARTNERS has been appointed quantity surveyors by MEPC for a £13m, five-storey office building at Windsor Road, Slough, Berkshire. The development, to be known as Observatory House, will be built on the site of the home and observatory of Sir William Herschel, who discovered the planet Uranus in 1781.

The five-storey office scheme will be clad in glazed curtain walling with reconstructed stone margins and features. There is surface car parking to the side of and behind Observatory House while at the rear of the site a 470-space multi-storey car park will be provided. The building will be fully air-conditioned with raised floors and suspended ceilings. A centrally glazed atrium will feature a wall climber lift.

Demolition of the existing 1970 built building began in February under a separate contract and construction will commence in August with completion in October 1989.

Storing books in British Library

The problem of how to store 10m books at the new British Library has been solved using closing aisle shelving from BRUYNZEEL STORAGE SYSTEMS. The £5.4m contract is for a system that will include storage for rare books, music and fine arts collections. It is part of the first phase of the library which is under construction next to St.Pancras station in London.

The facility will comprise 176 miles of shelving on four levels reaching 96 ft below ground. With the system, optimum use of space is achieved by using a single aisle for each block of shelving. Mounted on mobile bases, runs of shelves can be moved to create the aisle wherever it is required to gain access within the block. Up to 45 tonnes of loaded shelving can be moved at a time.

Included is an adjustable floor system, which will compensate for deflections from the weight of books and enable the floors to be levelled after loading. Completion is scheduled for early 1992.

Baggage handling at three airports

HADEN KING has three orders totalling £2.2m for baggage handling systems at Luton, Stansted and Manchester Airports. A departures system to be installed at Luton will sort baggage from two existing check-in lines to 27 chutes for flight make-up. The project will use laser beam code reading and sort using high-speed pushers. Completion date is April 1989.

At Stansted the company will provide a conveyor system including three inclined reclaim units and feeding conveyors for international arrivals baggage handling. At Manchester, as part of a management contract by A. Monk & Co., Haden King will provide a domestic check-in facility with 28 desks, including X-ray lines and a collector system - completion by Easter 1989.

HADEN DRYSYS INTERNATIONAL has won a £4m order through its Spanish subsidiary for the supply of an electrocoat oven and spraybooth modifications at Citroen's plant at Vigo, in north west Spain.

Not such sweet music to the studios' ears

Paul Abrahams examines the way in which cheap software and personal computers are reshaping the recording industry

THE EUROPEAN recording industry is taking a beating. Studios in London, Hamburg and Paris are being forced out of business.

The problem is that all but the most sophisticated studio equipment can now be emulated by relatively cheap personal computers (PCs). And the cost of purchasing the latest technology to attract artists away from home computers is stretching the finances of many companies to breaking point.

"This is an industry-wide squeeze," says Marc Lacome, director of London-based SAV studios, which ceases trading today.

Lacome blames a number of factors for the situation now faced by European studios – but he believes the widespread use of personal computers by artists now working at home, rather than in studios, has done most of the damage.

Home computers became available for music-making after the introduction of a communications standard called Musical Instrument Digital Interface (Midi) about five years ago. Midi allows synthesisers to send digitised data about each musical note to a PC, which then stores the information on disk.

Home computers really began to make inroads in 1986, however, with the arrival of sophisticated, cheap, "user-friendly" software that enabled musicians to manipulate information about notes in much the same way as a word processor permits a typist to play around with written copy.

Manfred Ruerup, managing director of Hamburg-based Steinberg, the leading musical software company in Europe, says that in the past three years his company alone has sold 6,000 copies of its software in both Germany and the UK, and 3,000 copies in Italy and France.

One of the main attractions of these programs is the wide range of features available. With programs from Hamburg-based companies C-Lab and Steinberg, or the American system Dr T, musicians are now able to:

- Create new sounds and save them for future use.
- Change the characteristics of digital recordings of actual musical instruments. This process is called sampling. Some programs can even randomise the parameters to create unpredictable and unusual sounds.
- Store sequences of notes digitally on disk which can then be manipulated. The PC divides each beat of music into 768ths, recording when the note was hit, which note it was, how hard it was hit and for how long. All of these parameters can be changed.

For instance, the tempo of pieces can be altered without changing the pitch of notes so that the Minute Waltz could be played in 30 seconds. Or, electronic drums can be given faulty timing to sound like a human drummer and the recording of a drummer adjusted to sound like a machine.

- Lay recordings, or tracks, over others, allowing for experimentation before the musician decides on a final version.
- Print a final score in notation on a laser printer or take a disk into a studio where the music can be downloaded for final mixing.

'With £3,000, a kid could buy a system and come close to producing a finished record at home'

The programs are not expensive, costing between £100 and £300. Nor is the hardware. The Atari 1040, which dominates the European market, costs under £500.

"A kid with £3,000 from concert appearances can set himself up with a system that can almost produce a finished record at home," says songwriter Mike Batt. "He doesn't have to be a computer genius either. By reading the manual and playing about he could start producing reasonable music within a week," he adds.

The new technology has changed the structure of the recording business. Elliot Cohen, director of Red Bus studios in London, symbolically swapped over the numbers on his studios. The old number two, which handles synthesised music, had become much more important than the old number one, designed for musicians with traditional instruments.

"There have been fundamental changes in the way bands work," says composer, Joe Glasman. "In the early 1980s, they would use large chunks of studio time to rehearse. Each instrument would then be recorded individually."

"Now, songwriters and bands are using these machines to do pre-production work at home. This was unheard of two years ago. Musicians only need to go to studios to do final adjustments and add vocals and guitars."

Glasman says that the effect on studios of the expansion in pre-production has been dramatic. In preparing his latest album he expects to spend six months composing, six weeks recording and another month mixing. Before he had a computer he would have spent six months in a studio.

"What used to take three days now takes about four hours," says Marc Lacome at SAV Studios. He adds that the drop in studio time used over the last two years forced him to cease trading.

Many studios have reacted to the increase in pre-production by investing in equipment which offers substantially better results than that available at home.

But the cost of new equipment can be high. Barbara Jeffries, managing director of the London-based Virgin Studios Group, says that the company's modern complex, which opened in Barnes in February, cost more than £4m. She believes that some studios have over-extended themselves by investing in new equipment in an attempt to compete.

'By reading a manual and playing about, it is possible to start creating reasonable music within a week'

"It's not necessarily a question of size," she says. "It's a question of management. Anybody can buy a state-of-the-art Solid State Logic machine – but it has to be managed effectively. You need effective maintenance, support staff, and people who can work the machines."

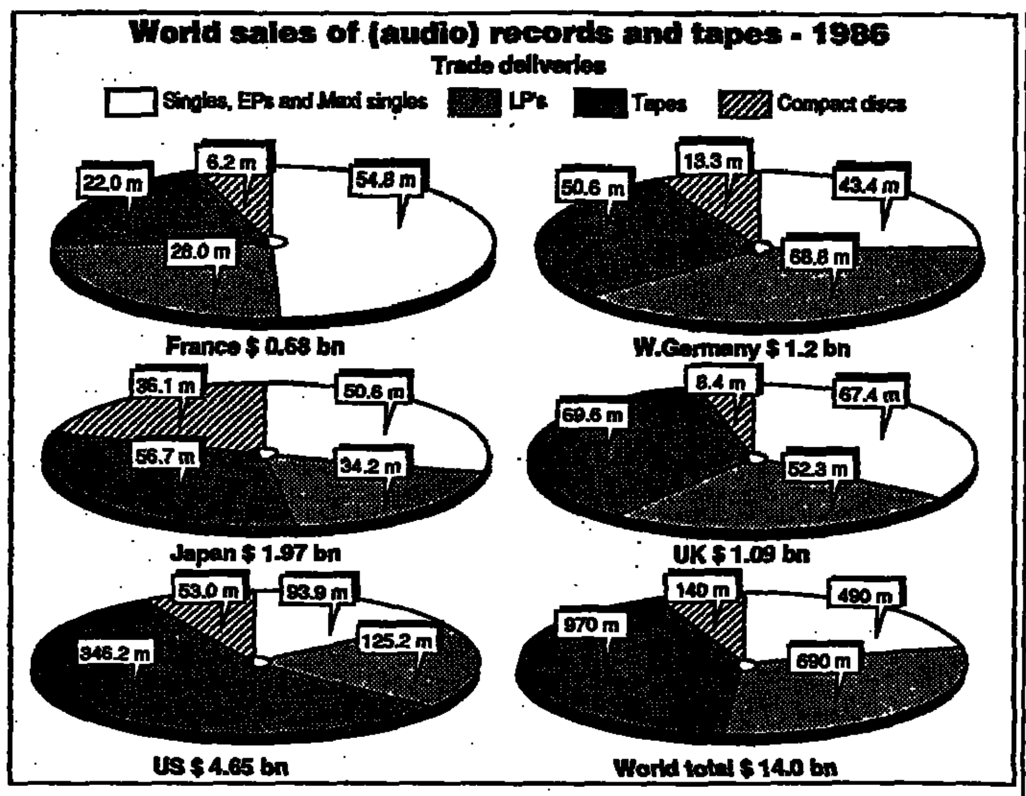
Ken Townsend, general manager at Abbey Road Studios, owned by Thorn-EMI, says that even the big studios are now cutting prices in an attempt to bring in customers – and it is the smaller companies unable to absorb losses which are suffering.

According to Max Dolding, an analyst at stockbrokers James Capel, the squeeze on London facilities has been exacerbated by other factors. These include:

- The weakness of the dollar. American business, which last year accounted for 40 per cent of turnover at Air Studios in London, has dropped considerably. Air Studios is still busy, but has kept its books full by drawing trade from other studios.
- The unwillingness of record companies to sign new bands because of the cost of producing videos. Record releases can no longer be successful without a promotional video which can cost the record company between £20,000 and £30,000 – often more than the expense of the single itself.
- The reluctance of the music business to invest in new talent when profits can be generated through the use of recordings dating back over 20 years and re-issued on compact disc.
- Tax changes last year which obliged foreign musicians to pay tax on earnings made in the UK. Montserrat, a tax haven in the Caribbean, has won business from the UK since the changes were implemented.

In addition to the transformation it is already seeing, analysts believe the recording industry will have to adapt still further as more technological advances occur. Studios could find themselves completely by-passed if portable digital audio tape recorders allow musicians to create near perfect recordings.

Serge Blennier, French director of the Hamburg studios Music de Computer, believes the next generation of computers could emulate a symphony orchestra, replacing musicians altogether.



WORTH WATCHING

Edited by Geoffrey Charlish

Hot on the trail of computer frauds

LIFE WILL become more difficult for computer fraudsters if a system from UK consultant Logica is used. Developed originally for the UK Government's Central Computer and Telecommunications Agency, the software is designed to help audit trail officers to pinpoint records that require closer scrutiny.

Using a special purpose language, the officers can specify, in terms of how and when access has been made to the computer, behaviour patterns that might indicate a breach of security. The Logica system will then search the audit trail to select records which are suspect.

The system relieves the officer from ploughing through all the records and reduces the risk of the key evidence being missed.

As knowledge of abnormal patterns of behaviour builds up, it can be added, or the criteria modified, to allow a library of "filters" to be accumulated to cover the various possibilities of fraud.

Dataquest outlines its view of VTC

RESERVATIONS ABOUT further development of the video tele-conferencing (VTC) market are expressed in a recent Research Newsletter from Dataquest, the California-based technology market research group.

VTC enables groups of people at each end of a communications link to see each other, examine documents, and talk. A basic objective is cut the time and cost of executive travel.

The problem is that broadcast quality TV transmission, to which everyone has become accustomed, needs high bandwidth (information carrying capacity), and this is expensive.

Since 1980, companies like Compression Labs in the US and GEC in the UK have developed digital codecs (coder-decoders) which compress video signals and allow acceptable pictures to be sent using a fraction of the bandwidth. Although this cuts the cost, the motion content of the pictures can be blurred.

Furthermore, the compression/encoding techniques used are far from cheap, are proprietary to each of the six or so companies involved, and are generally incompatible.

Dataquest consultant David Keeler thinks that even when international standards emerge after 1989, the makers will not immediately withdraw their expensively-developed systems.

He thinks it will be the mid to late-1990s, at best, before codec compatibility becomes widespread, allowing inter-company conferencing.

Even so, Dataquest believes sales of codecs will grow by about 37 per cent a year and will reach $400m a year by 1991.

Hewlett-Packard offers to take old DECs

THE WAY computers are sold will take a new turn next week when Hewlett-Packard offers its "DEC Trade-in". It will buy back Digital Equipment Company VAX and PDP machines from people who order an HP Series 800 Unix-based computer.

Hewlett-Packard says its move is "designed to increase its penetration of the DEC market place" and allows the DEC users "to upgrade to HP series 800 systems."

The offer lasts six months from May 1. It is believed to be the first in which a mini-computer maker has offered to a take a competitor's machine as a trade-in.

For a net capital cost of about £50,000, HP estimates that a company will be able to exchange a VAX 11/80, capable of one million instructions per second (MIPs), for a 14MIP HP machine. In the UK there are an estimated 10,000 PDP-11 and 5,000 Microvax/VAX systems which HP sees as "a prime target for sales of the Series 800."

Philips acts as guide to UK telecoms

PHILIPS BUSINESS Systems has published the "Pocket Book of Telecommunications" in the UK. A 150-page booklet, it provides hundreds of basic facts about UK telecommunications.

Many of the current changes in the industry are described, and about half of the booklet deals with standards, regulatory and approval matters.

Philips has avoided promoting its own products.

Panasonic adds power to fax versatility

PANASONIC of Japan is attacking the "computerised fax" market with a system called Powerfax 600. This is basically a Panafax 600SF facsimile machine mounted on an intelligent interface unit.

The two units with software cost £2,500. The interface is connected to an IBM personal computer XT or AT or a compatible machine.

Using software written in the UK, Powerfax 600 turns the computer into a desk-top "telex" machine with which the user can create and transmit a document using just screen and keyboard.

Incoming documents can be received straight into the computer's memory and the operator can decide to view, store, or print on the fax machine. The machine can continue to be used in the conventional way to transmit existing paper documents.

Multi-station dialling enables the system to create up to 1,500 address cards, which can then be combined in up to 500 specialised fax-mailing lists.

Fibernet lines up low-cost networks

FIBERNET, THE UK data communications company, has introduced an optical fibre multiplexer which allows 128 devices (such as terminals and printers) to be linked on a single optical fibre cable.

Known as ZAT 128-1, the system provides a cost-effective alternative to the bulkier co-axial cable normally used for data interconnections within buildings.

An advantage is that a variety of data traffic can be handled simultaneously.

CONTACTS: Logica: London, 637 9111. Dataquest: US, (408) 437 8000. Hewlett-Packard: UK office, 0734 696622. Philips Business Systems: UK, 0206 575115. Panasonic: UK office, 0753 73181. Fibernet: UK, 07356 79122.

COMMODITIES AND AGRICULTURE

Opec ponders offer of cut in output by non-members

BY RICHARD JOHNS IN VIENNA

THE ORGANISATION of Petroleum Exporting Countries (Opec) was meeting last night to formulate a response to an offer by six non-member producers. They are willing to cut their output by 5 per cent in May and June if the producers' association made a similar commitment.

Having presented what appeared to be a "take-it-or-leave-it" proposal on behalf of itself and the other five, Mexico's delegation surprised some Opec members and observers by departing early yesterday morning.

It was understood, however, that Mr Fernando Hiriart Balderrama, Mexico's Minister of Energy, Mines and State Industries, asked Dr Herman Franssen, a Dutchman who was once chief economist at the International Energy Agency but now advises the Oman Government, to liaise with him.

Non-Opec strategy - or lack of it - has thoroughly confused Opec members accustomed to protracted and tedious byzantine exchanges which have been necessary to reach even the most unsatisfactory compromises aimed at convincing the market of its discipline and determination.

Delegations from China, Colombia, and Malaysia flew back home leaving only Egypt and Angola remaining here.

Mexico's precipitate disappearance was seen by veteran Opec delegates here as a tactical mistake but one that might be explained in terms of domestic politics. At the same time doubts were expressed about the commitments of several non-members, in particular Colombia and Oman, about reductions in their output.

Saudi Arabia and Kuwait, the two Opec heavyweights, are known to have grave reservations about any attempt to reduce output below the present ceiling of 15.06m barrels a day agreed here last December by 12 of the 13 members, excluding Iraq, at such short notice.

In practice the limit has been substantially exceeded recently, probably by more than 500,000 b/d during the first three weeks of April.

In an interview published yesterday with a Kuwaiti newspaper Al Siyassah, King Fahd of Saudi Arabia said that oil prices would increase if Opec and non-member producers collaborated in restraining output.

"I think prices will rise further if we (Opec) stick to production ceilings and if we succeed in bringing countries outside Opec to understand the benefit of limiting production in the interests of better prices," he was quoted as saying.

The general feeling yesterday was that Opec had no choice but to make some kind of positive response to the initiative by the non-members.

The SOVIET Union would not feel bound by any agreement between Opec and oil-producers outside Opec to cut output, a spokesman for the Ministry of the Petroleum Industry said yesterday, Reuter reports from Moscow.

The ministry said the Soviet Union wanted to increase output of oil, not cut it. "If there is an agreement to cut output, the Soviet Union is not obliged to do it," the spokesman said.

Australian gold coin beats its sales target

By Kenneth Gooding Mining Correspondent

More than 871,000 Australian Nugget gold bullion coins worth A$271.5m (about US$202m) and containing 407,296 troy ounces of the precious metal, were sold in the year after they were launched, GoldCorp Australia reported yesterday.

This means the new coins, introduced last April, have already achieved the annual sales target GoldCorp expected would take three years to reach.

Mr Don Mackay-Coghill, chief executive of GoldCorp, claimed that the Nugget now ranked third in the world gold bullion coin market.

He said the Nugget was now the best-selling coin in south-east Asia. In view of the importance that part of the world attached to the quality of gold investment coins, the design of all four Nugget coins would be changed this year to reflect Asian preferences.

Heavier frosting would be incorporated to the background of the coins, and their 99.99 per cent content of pure gold would be emphasised.

The Nugget's main rival, the Royal Canadian Mint's Maple Leaf, another coin of "four nines" purity, accounted for 1.425m ounces of gold last year and was gold bullion coin market leader with about 45 per cent of the market, estimated by the Mint at 3.2m ounces in 1987.

The Maple Leaf's sales were 6 per cent below the 1.5m ounces for 1986 and nearly one quarter down from the record 1.878m achieved in 1985 before the Nugget and the US Eagle coins were introduced.

The Eagle coins, displaced the Maple Leaf as the best-selling gold coins in the US

They are at a competitive disadvantage outside North America, particularly in the south-east Asian region, because they are produced from gold which is only 91.67 per cent pure.

Changes to rules threaten milk marketing monopoly

BY BRIDGET BLOOM

MEASURES which could spell the end of the 55-year-old monopoly of Britain's main Milk Marketing Board (MMB) are shortly to be introduced by the Government.

The measures are made necessary by the move towards a single market in the European Community. They will allow imports of fresh milk to Britain from other EC countries for the first time.

This will provide a direct challenge to the MMB's monopoly powers to market all milk produced in Britain. The MMB covers England and Wales and is by far the biggest of the five milk boards in the UK.

It is too early to forecast the precise effects of the move on the board or on Britain's 33,500 dairy farmers. But many observers believe it could signal the end of two arrangements.

One enables the MMB to buy and sell all fresh milk in Britain. With the Dairy Trades Federation, it also fixes prices at which milk and milk products like butter and cream are traded.

Regulations to allow the free import of fresh pasteurised milk in cartons or in bulk from other members states are being drafted by the Ministry of Agriculture. They are due to be introduced before January 1 next year, when the EC directive governing intra-Community trade in heat-treated milk comes into force, effectively establishing a single market in fresh pasteurised milk.

A judgment of the European Court earlier this year has required Britain to introduce its regulations as soon as possible before January 1, although it is thought this may be delayed until July or August.

[illegible]

Rebates due on dried fruit

BY BRIDGET BLOOM

BRITISH traders who had to pay high import prices for dried grapes after Greece entered the European Community are to receive rebates which could amount to some £3m.

The rebates are due following a ruling in the European Court of Justice earlier this year.

The court held that levies imposed by the European Commission on imports of dried grapes from non-EC sources were illegal.

The levies fell mainly on sultanas from Turkey, which many importers prefer, stating that they are cheaper and cleaner than those produced in Crete, which is part of Greece.

The levies, known as countervailing charges, have been opposed strongly by the UK National Dried Fruit Association, which brought the case to the European Court.

The Association yesterday quoted a figure of some £2.75m which it believes could be due to British traders in rebates on countervailing charge payments and fines imposed by the Customs and Excise Department between October 1982 and August 1985.

The European Court ruled on February 11 that the commission had not been justified in imposing a fixed countervailing charge.

The charge corresponded to the difference between the lowest price on the world market and the EC minimum import price of dried grapes during the period in question.

The Court said the commission needed only to impose a variable rate of tax, taking the actual price declared by the importer, often higher than the commission's reference price, into account.

Britain imports about 80,000 tonnes of sultanas a year. In recent years about 32,500 tonnes have come from Greece and between 10,000 tonnes and 14,000 tonnes from Turkey.

Worldwide coffee talks end today

By David Blackwell

INTERNATIONAL COFFEE Organisation delegates end a week of what they described as "low-key" talks in London today after the first discussions on the fate of the coffee agreement.

Its aim is to stabilise world coffee prices by with export quotas. The agreement is due to end in September next year.

Options open to the organisation include a re-negotiated agreement, a two-year extension of the existing agreement, an extension with modifications, and termination of the pact. Coffee prices continued their decline on London Fox yesterday.

Magnesium plant for Canada

BY DAVID OWEN IN TORONTO

AN INNOVATIVE magnesium plant to be built near Calgary in Alberta, Canada, may boost stagnant demand for the lightest commercially-available structural metal.

The C$100m plant, with initial capacity of 12,500 tonnes a year, will be built and operated by Magnesium Company of Canada (Magcan), a joint-venture between Magnesium International Corporation and Alberta Natural Gas.

Capacity will be raised, at further cost, to 62,500 tonnes a year "in line with market development and growth." Production is expected to begin in 1990.

The plant will use a new process developed in England by MPLC Laboratories and Davy Corporation. The process is based on magnesite, an ore with about 28 per cent magnesium content.

Its sponsors say it uses 15 per cent less power than the average aluminium-smelting process. Most magnesium is made in a multi-stage process that extracts the minute quantities of magnesium chloride in sea water.

Building of the Magcan plant was delayed after Pittsburgh-based Alcoa quit as a partner.

It seems destined to come on stream at a bad moment. Magnesium use, about 224,000 tonnes in 1986, has remained almost static since 1945.

Demand from the key aluminium alloying market, which in 1986 accounted for 56 per cent of overall magnesium use, is said to be falling due to increased recycling of aluminium beverage-cans.

Production capacity at about 266,000 tonnes a year is already more than adequate to meet demand. It is to be supplemented by a 60,000-tonne-a-year facility in Quebec being built by Norway's Norsk Hydro and is due onstream in June next year.

Roskill Information Services, London-based, in a recent report said: "The short-term future for producers of primary magnesium appears likely to consist of intense competition in a market which is growing only slowly."

However, Magcan expects the cost-effectiveness of its process to spark a demand rise for magnesium, a third lighter than aluminium at equal volumes.

Mr Paul Glatthor, marketing chief, says the technique "will enable us to produce a magnesium component for the same price as an aluminium one."

The metal's market has traditionally been restricted because its price, currently $1.53 a pound, has tended to exceed the 1.4-1.5 ratio to the price of aluminium which leading car-makers suggest would be needed before any switch to magnesium would occur.

"It is an over-simplification to say that there is over-supply," Mr Glatthor adds.

Magcan aims to forge an integrated industry which would transform primary raw materials into finished magnesium components and plate.

Cocoa appeals continue

BY WONG SULONG IN KUALA LUMPUR

THE INTERNATIONAL Cocoa Organisation (ICCO) yesterday tried to allay Malaysian and Indonesian fears that membership would result in production and export quotas.

Mr Albert Russchen, chairman of ICCO, said there was no such provision in the International Cocoa Agreement. He added at a meeting with Malaysian cocoa officials here that ICCO consumers would object to such a move.

Mr Russchen is leading an ICCO mission to persuade Malaysia and Indonesia to join the organisation. Last year the two countries produced about 227,000 tonnes of cocoa, and their output is growing fast.

He said that if the two countries joined, ICCO would be more credible and have a bigger impact on prices. It would also strengthen the bargaining powers of producers.

Malaysian officials said they were happy with the ICCO assurance on quotas, but were not convinced about the US$30 a tonne ICCO levy on exports by members.

Being a non-member of ICCO, Malaysia does not pay this levy for its exports to non-ICCO consumers, like the United States. About 40 per cent of Malaysian cocoa exports go to non-ICCO consumers.

Rubber disposal approved

BY WONG SULONG

THE INTERNATIONAL Natural Rubber Organisation (INRO) yesterday decided to allow its buffer-stock manager to continue his "active" sales programme, despite a strong move by producer members to make him slow down.

Producers at the INRO council meeting here said they were worried that the heavy buffer-stock sales would depress prices. But consumers argued that there was no evidence to show that the sales have had a serious impact on prices so far.

Since September last year, Mr Aldo Hofmeister, manager of the buffer-stock, has sold more than 220,000 tonnes from his stockpile of 370,000 tonnes in an effort to halt surging prices, which are currently at a seven-year high.

A statement at the end of the INRO meeting said that Mr Hofmeister had said that "there will be continued good demand for natural rubber in the short term."

There was uncertainty about participation by the United States in the next rubber agreement, although the INRO statement said "there were no indications that the International Natural Rubber Agreement 1987 (INRA II) will not come into force."

WORLD COMMODITIES PRICES

LONDON MARKETS

[illegible]

US MARKETS

[illegible]

New York

Chicago

[illegible]

INTERNATIONAL RESIDENTIAL PROPERTY

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound falls ahead of trade data

STERLING AND the dollar weakened on the foreign exchanges. There were no new factors, but the fall of the pound appeared to follow a general weakening of sentiment on London's financial markets.

Nerves became rather frayed ahead of today's UK trade figures. Swings in export and import volumes makes monthly movements volatile and difficult to forecast.

The City is expecting a current account deficit of £400m to £600m for March, but there have been suggestions the shortfall could be as much as £1bn on the current account and £1.6bn on visible trade.

This would mean three disappointing months in a row, and will test the markets attitude to sterling.

Bad figures for January and February were regarded as opportunities to buy when the pound dipped, but the main fear yesterday was that sentiment has changed and another large deficit will be used as an excuse to sell.

Sterling fell to DM3.1275 from DM3.1450, and lost ¼ cent to $1.8745 against a generally weak dollar.

The pound also declined to Y233.50 from Y234.75; to SFr2.5950 from SFr2.6050; and to FFr10.6250 from FFr10.67.

On Bank of England figures sterling's exchange rate index fell 0.2 to 78.0.

The dollar fell below DM1.67, as the US currency's upward momentum seemed to stall. Economic fundamentals do not appear to be favourable, but the dollar is not expected to move out of its present narrow trading range in the near future.

The next major tests for the currency are likely to come with the US Treasury's refunding auctions on May 10,11 and 12, and publication of the March US trade figures on May 17.

The dollar weakened to DM1.6685 from DM1.6750; to Y124.60 from Y125.05; to SFr1.3845 from SFr1.3875; and to FFr5.6675 from FFr5.6950.

According to the Bank of England, the dollar's index fell to 92.4 from 92.7.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6768. Exchange rate index 148.9 against 148.2 six months ago.

Trading was very quiet in Frankfurt, and likely to remain so according to dealers, unless there is a shock from tomorrow's UK trade figures. Sterling weakened during the afternoon, and the dollar also fell back.

The dollar closed at DM1.6690 in Frankfurt, compared with DM1.6795 previously. The pound fell to DM3.1265, from DM3.1405 on Wednesday.

Approaching holidays in Japan and the UK are expected to keep dealers on the sidelines.

The Bundesbank did not intervene when the dollar was fixed at DM1.6726, compared with DM1.6783 on Wednesday.

In Paris the French franc remained steady against the D-Mark. The West German currency was fixed at DM3.3956, against DM3.3920 previously.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 245.4 against 225.6 six months ago.

The yen was steady against the dollar in Tokyo. The market lacked new factors, and dealers were reluctant to take out positions ahead of the "Golden Week" holiday period in Japan. Markets are closed today, for the Emperor's birthday, and will be shut on Tuesday, Wednesday and Thursday next week.

The dollar closed in Tokyo at Y124.80, compared with Y125.00 on Wednesday. The US currency remained confined to a narrow range, sandwiched between short covering, and selling by exporters.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr. 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4197	+2.26	+0.98	±1.5344
Danish Krone	7.85212	7.99674	+1.82	+0.51	±1.5404
German D-Mark	2.05853	2.07530	+0.81	-0.50	±1.0981
French Franc	6.90403	7.04662	+2.07	+0.76	±1.3674
Dutch Guilder	2.31943	2.32689	+0.32	-0.99	±1.5012
Irish Punt	0.768411	0.777342	+1.16	-0.15	±1.6684
Italian Lira	1483.58	1542.63	+3.98	+3.19	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr. 28	Latest	Previous Close
£ Spot	1.8735-1.8745	1.8735-1.8745
1 month	0.16-0.14pm	0.16-0.14pm
3 months	0.40-0.36pm	0.53-0.50pm
12 months	1.50-1.40pm	2.10-2.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr. 28	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Apr. 28	£	$
[illegible]	[illegible]	[illegible]
Iran	125.15*	66.30*
Korea(Sth)	1381.45-1394.15	737.60-743.50
Kuwait	0.51300-0.51350	0.27355-0.27365
Luxembourg	65.45-65.55	34.90-35.00
Malaysia	4.8240-4.8360	2.5740-2.5770
Mexico	4261.00-4282.00	2275.00-2286.00
N. Zealand	2.7840-2.7890	1.4860-1.4885
Saudi Ar.	7.0338-7.0390	3.7500-3.7510
Singapore	3.7485-3.7545	2.0010-2.0025
S. Af (Cm)	4.0220-4.0335	2.1440-2.1505
S. Af (Fn)	5.3135-5.4200	2.8330-2.8900
Taiwan	53.60-53.90	28.60-28.70
U.A.E.	6.8875-6.8935	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Apr. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8715-1.8775	1.8740-1.8750	0.16-0.19pm	0.93	0.57-0.52pm	1.16
Canada	2.3020-2.3110	2.3080-2.3090	0.14-0.24cdis	-0.99	0.27-0.36dis	-0.57
Netherlands	3.50¼-3.52¼	3.50¼-3.51¼	1¼-1¼cpm	4.06	3⅞-3⅝pm	4.28
Belgium	65.35-65.70	65.45-65.55	38-6cpm	2.02	44-30pm	2.26
Denmark	12.04¼-12.10¼	12.04¼-12.05¼	½-2⅜oredis	-1.74	2⅛-4⅛dis	-1.22
Ireland	1.1710-1.1775	1.1730-1.1740	0.08-0.16pdis	-1.23	0.25-0.40dis	-1.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Apr. 28	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.320	0.600	1	74.77	3.404	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.283	8.030	13.37	1000.	45.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.941	1.764	2.938	219.7	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.385	0.723	1.203	89.98	4.096	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.285	0.534	0.890	66.56	3.030	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.430	0.806	1.343	100.4	4.570	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.433	0.812	1.353	101.1	4.604	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.527	2.863	4.768	356.5	16.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts sold

TRADERS ON Liffe caught other financial markets by surprise yesterday with a sudden burst of selling of long gilt and short sterling futures.

Markets in London were generally drifting quietly, expecting no movement until publication of today's UK trade figures, when sterling interest rate contracts were suddenly hit in this trading.

Volume then picked up, but at the time of the initial fall there was little general interest.

Volume in short sterling options turned out to be a record, at 4,784, compared with 3,057 on April 18, illustrating the mood of nervousness that swept the market.

Three-month sterling deposit futures opened a little firmer at 91.25 for June delivery, but this was only slightly above the level where stop loss levels were to be found.

As soon as the contract was sold down to 91.20 it fell sharply as stops were triggered, touching a low of 91.05, before closing at 91.12.

The story was similar in long gilt futures. Selling in a thin market triggered stops at 120-01 for June delivery, and the contract plunged to 119-22, before recovering a little, to finish at 120-01, against 120-16 at the previous settlement.

Dealers suggested there were too many long positions in the market, but it may take until next Tuesday before there can be a reappraisal of the situation.

LIFFE / LONDON (LIFFE) / CHICAGO FUTURES AND OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

London rates firm

THERE WAS a nervous tone to interest rates on the London money market yesterday.

The short sterling futures contract on Liffe - already discounting a rise in UK bank base rates - continued to retreat.

The mood of nervousness, amid worries about today's UK trade figures for March, was also illustrated in the cash market, as the discount houses proved to be very keen sellers of paper.

UK clearing bank base lending rate 8 per cent from April 11

Until recently the strength of sterling has encouraged houses to hold on to longer dated bills, in the hope of lower interest rates, but sentiment has changed sharply.

The houses were so anxious to sell long dated bills to the Bank of England yesterday that this resulted in some band 4 bills passing into official hands at a slightly higher rate of 7⅞ p.c., compared with the normal intervention rate of 7¾ p.c.

Rates on the interbank market were firm, with three-month money rising to 8¼-8⅜ p.c. late in the day, from 8⅛-8¼. 12-month climbed to 9⅛-9¼ p.c. from 9⅛-9 p.c.

The Bank of England initially forecast a money market shortage of £450m pounds, but revised this to £600m at noon. Total help of £621m was provided.

Before lunch the authorities bought £621m bills outright, by way of £6m local authority bills in band 3 at 7¾ p.c.; £216m bank bills in band 3 at 7¾ p.c.; £101m Treasury bills in band 4 at 7¾ p.c.; £28m local authority bills in band 4 at 7¾ p.c.; and £270m bank bills in band 4 at 7¾-7⅞ p.c.

There was no intervention by the Bank of England in the afternoon.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £515m, with a rise in the note circulation absorbing £80m. These factors outweighed Exchequer transactions adding £65m to liquidity, and bank balances above target of £106m.

In Stockholm the Swedish Central Bank announced a rise of 1 p.c. to 8.5 p.c. in its discount rate, from today. The move came only a week after the central bank said it wanted to scrap the discount rate, and concentrate on market intervention to adjust credit policy.

Soon after the announcement of the discount rate rise the authorities intervened heavily in the money market, draining liquidity with large scale sales of bills.

The rise in Sweden's discount rate was seen as a move to reduce credit expansion and cut domestic consumption.

FT LONDON INTERBANK FIXING

[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notices

LONRHO FINANCE PUBLIC LIMITED COMPANY
US$100,000,000 4¾ per cent. Convertible Bonds 2001
Guaranteed by
Lonrho Public Limited Company

NOTICE IS HEREBY GIVEN to Bondholders that consequent upon a 1 for 6 Capitalisation Issue by Lonrho Public Limited Company under which allotments were made on 22 April 1988, the Conversion Price applicable to the above Bonds has been adjusted for conversions with Conversion Dates with effect from and including that date, from 247p to 212p per Ordinary Share of Lonrho Public Limited Company, in accordance with Conditions 5(C)(I)(d) and 5(C)(4)(g) of Issue of such Bonds.

LONRHO FINANCE PUBLIC LIMITED COMPANY
£60,000,000 4½ per cent. Convertible Bonds 2002
Guaranteed by
Lonrho Public Limited Company

NOTICE IS HEREBY GIVEN to Bondholders that consequent upon a 1 for 6 Capitalisation Issue by Lonrho Public Limited Company under which allotments were made on 22 April 1988, the Conversion Price applicable to the above Bonds has been adjusted for conversions with Conversion Dates with effect from and including that date, from 313p to 268p per Ordinary Share of Lonrho Public Limited Company, in accordance with Conditions 5(C)(I)(d) and 5(C)(4)(g) of Issue of such Bonds.

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$420	110	35	-	-	-	-	$452.30
GOLD C	$440	142	16	113	29	-	-	$452.30
GOLD C	$460	-	-	141	17	-	-	$452.30
GOLD C	$500	-	-	-	-	51	10.80	$452.30
GOLD C	$520	-	-	90	2.50	-	-	$452.30
GOLD C	$540	-	-	80	1.50	-	-	$452.30
GOLD P	$440	-	-	10	7.10	17	10.10	$452.30
GOLD P	$460	-	-	60	15	10	18	$452.30
		May 88		Jun. 88		Jul. 88		
EOE Index C	Fl. 200	67	9.80	5	12.70	-	-	Fl. 209.86
EOE Index C	Fl. 205	68	6.50	12	9.80	-	-	Fl. 209.86
EOE Index C	Fl. 210	56	4	48	7.30	4	10.20	Fl. 209.86
EOE Index C	Fl. 215	69	2.30	80	5	-	-	Fl. 209.86
EOE Index C	Fl. 220	131	1.50	3	3.50	10	5.50	Fl. 209.86
EOE Index P	Fl. 190	18	1.40	-	-	-	-	Fl. 209.86
EOE Index P	Fl. 195	46	2.20	8	4.80	-	-	Fl. 209.86
EOE Index P	Fl. 200	121	3.60	56	6.30	87	8.50 A	Fl. 209.86
EOE Index P	Fl. 205	86	5.50	312	9	-	-	Fl. 209.86
EOE Index P	Fl. 210	141	8	105	11.40	4	13.20	Fl. 209.86
£/Fl C	Fl. 355	20	0.80	-	-	-	-	Fl. 350.74
$/Fl C	Fl. 185	84	2.60	15	3.20	15	3.70	Fl. 187.21
$/Fl C	Fl. 190	2	0.50	100	1.20 B	-	-	Fl. 187.21
$/Fl P	Fl. 180	-	-	-	-	25	1	Fl. 187.21
$/Fl P	Fl. 190	25	3.50	-	-	-	-	Fl. 187.21
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	288	0.90	82	1.80	59	2.20	Fl. 38.90
ABN P	Fl. 40	127	3.30	114	4.60	6	5	Fl. 38.90
AEGON C	Fl. 80	85	1.30	18	2.20	-	-	Fl. 74.60
AEGON P	Fl. 70	37	3.20	7	3.30	-	-	Fl. 74.60
AHOLD P	Fl. 70	37	3.20	2	4.50	-	-	Fl. 71.20
AKZO C	Fl. 100	1589	13.50	110	14.30	-	-	Fl. 113.20
AKZO P	Fl. 100	631	2.70	21	5.50 A	-	-	Fl. 113.20
AMEV C	Fl. 40	201	11.70	-	-	-	-	Fl. 51.40
AMEV P	Fl. 50	9	3	-	-	45	5	Fl. 51.40
AMRO C	Fl. 70	35	1.30	17	2.40	2	3.50	Fl. 65.20
AMRO P	Fl. 65	20	3.20	-	-	5	4.70	Fl. 65.20
BUHRMANN-T C	Fl. 50	18	0.80	110	1.50	6	2.50	Fl. 45
BUHRMANN-T P	Fl. 40	21	1.20	100	1.80	-	-	Fl. 46
ELSEVIER C	Fl. 55	68	1	14	2.20	4	3	Fl. 50.50
ELSEVIER P	Fl. 50	68	2.30	-	-	-	-	Fl. 50.50
GIST-BROC. C	Fl. 35	217	1.90	29	2.80	2	4.50	Fl. 33.80
GIST-BROC. P	Fl. 35	144	3.90 A	156	5	3	5	Fl. 33.80
HEINEKEN C	Fl. 140	32	2.20	8	4	63	6.20	Fl. 130.80
HEINEKEN P	Fl. 120	30	2.70 B	-	-	50	6.50	Fl. 130.80
HOOGOVENS C	Fl. 35	111	6	5	7	-	-	Fl. 40
HOOGOVENS P	Fl. 40	31	3	26	4.30	-	-	Fl. 40
KLM C	Fl. 35	267	2.20	50	2.80	-	-	Fl. 34.80
KLM P	Fl. 35	31	2.30	32	4	5	4.50	Fl. 34.80
KNP C	Fl. 120	55	10.50	-	-	-	-	Fl. 128
KNP P	Fl. 130	20	6.60	26	8.80	11	10.50	Fl. 128
NEDLLOYD C	Fl. 260	20	9.90	42	18	-	-	Fl. 249
NEDLLOYD P	Fl. 220	42	6	17	12.50	-	-	Fl. 249
NAT NED. C	Fl. 60	85	1.90	198	3.30	-	-	Fl. 59.10
NAT.NED. P	Fl. 55	74	1.40	-	-	7	4	Fl. 59.10
PHILIPS C	Fl. 30	768	1	38	2	44	2.50	Fl. 28.20
PHILIPS P	Fl. 27.50	221	1.20	22	1.70	-	-	Fl. 28.20
ROYAL DUTCH C	Fl. 230	309	5.40	28	8	2	10.60	Fl. 230.70
ROYAL DUTCH P	Fl. 230	161	10.60	10	16	-	-	Fl. 230.70
UNILEVER C	Fl. 110	420	4.80	13	7.50	-	-	Fl. 111.10
UNILEVER P	Fl. 110	469	5.60	16	7.50 B	-	-	Fl. 111.10

TOTAL VOLUME IN CONTRACTS : unavailable

A=Ask B=Bid C=Call P=Put

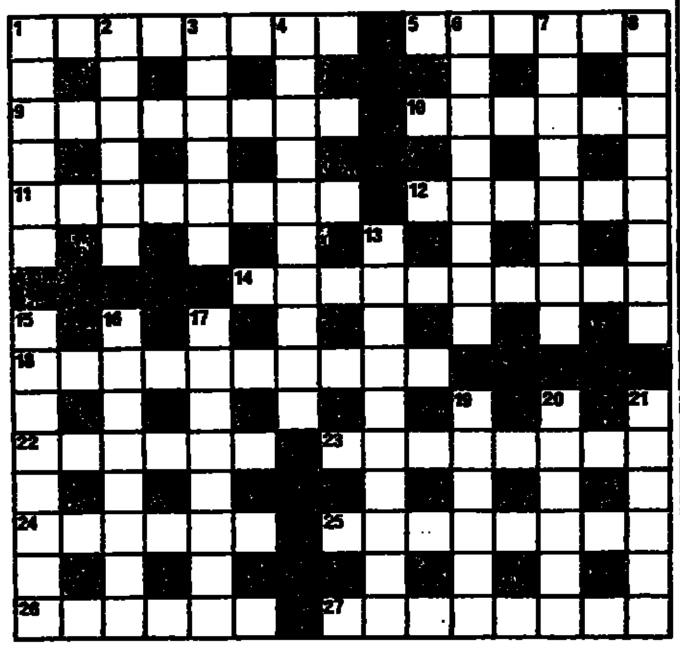
BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat. Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Int(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec	8	Smith & Williams Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	‡9.4
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
Cl. Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	8		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.50% Sanewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

JOTTER PAD

FT CROSSWORD No.6,618
SET BY CINEPHILE



"One who stands before sitting (2)" is found in each across solution: in the subsidiary parts of the clues his presence is disregarded.

ACROSS

1 Pad to relieve heart on ship (8)
5 Painting about one in a hairy depression (6)
9 Soothe, in old-fashioned style, a teetotaller, always poetically (8)
10 Pour cold water, maybe, upon one in lion house (6)
11 Brought in Edward or me? (8)
12 More abundant beer, right? (6)
14 Nearly keep cover on house that won't blow off? (5-5)
18 A body can change undesirable associates (3,7)
22 Regulation crease (6)
23 Outing involved common sense (8)
24 Didn't eat anything at the original speed (1,5)
25 Conservative and Labour leaders before the constabulary (4,4)
26 River junction is free from liability (6)
27 Piece of music, say, without heart, by unpaid youth leader (8)

DOWN

1 Skulls went apace in US intelligence (6)
2 Piece of Greek architecture makes me drink (6)
3 Notice about currency (6)
4 Set out new poetry, English, far from original (10)
6 Poster in capital in its own language: I forgot to say they give direction to motorists (4,4)
7 Little dog sick continually after bread and milk? (8)
8 Canary, number on point abundant (8)
13 Try holding an old pen in a calm way (10)
15 Sailor and monarch are bold in South Wales (8)
16 Novel hero, a lady without sign of marriage (4,4)
17 Sticky sweet, as it were: ball goes up in circle (8)
19 Turn page and look up Maintenance (6)
20 Amplifier doesn't finish a note of an opera (6)
21 Agent going without sleep must be smart (6)

Solution to Puzzle No.6,617

B	I	S	T	R	O		S	C	O	R	N	F	U	L
E		T		E		S		L		E		O		E
W	A	R	R	A	N	T		A	S	P	I	R	I	N
I		A		R		A		R		R		G		G
L	O	N	G		O	M	N	I	P	O	T	E	N	T
D		G		A		P		N		D				H
E	N	L	I	S	T		R	E	F	U	S	E	D	
R		E		S		H		T		C		N		S
	T	R	A	I	N	E	D		R	E	V	I	S	E
S				M		L		G		D		G		N
P	A	R	L	I	A	M	E	N	T		O	M	I	T
A		E		L		S		A		F		A		E
D	E	C	L	A	I	M		S	H	O	R	T	E	N
E		U		T		A		H		U		I		C
S	E	R	G	E	A	N	T		C	R	E	C	H	E

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هلجز امن التعمل

FT UNIT TRUST INFORMATION SERVICE

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	[illegible]	225.7	-1.3	2.7
Columbus (US)	236.2	[illegible]	-0.5	1.35
Marco Polo (Pac)	221.9	237.4	+1.5	0.20
Da Vinci (Eur)	222.6	238.1	+0.8	1.85
Drake (Wrld)	52.7	56.4	—	2.47

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	205.7	218.9	-0.4	2.68
UK Smlr Cos Eqty	209.7	223.1	+0.2	2.05
UK Spec Sits	61.9	65.9	-0.2	3.03
Income Plus	53.3	56.8	-0.2	5.14
European	159.6	169.8	—	1.15
Far Eastern	53.3	56.3	+0.5	2.06
Japanese	57.7	61.4	+0.6	—
North American	109.4	116.4	-0.1	1.54
Int'l Growth	109.0	116.0	+0.5	0.92
Worldwide Venture	53.1	56.5	-0.1	2.32

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2941/2/3

Equity Growth Acc	17.43	18.65	-0.04	3.15
Equity Growth Inc	17.43	18.66	-0.05	3.15
Int'l Growth Acc	17.23	18.44	+0.02	1.71
Int'l Growth Inc	17.15	18.35	+0.02	1.71
Global Income Acc	18.60	19.91	-0.07	5.48
Global Income Inc	18.60	19.91	-0.07	5.48
Market Leaders Acc	16.42	17.57	-0.11	3.95
Market Leaders Inc	16.19	17.33	-0.11	3.95

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	85.2	90.4	-0.7	0.00
Income	53.3	56.6	-0.4	4.33
European (z)	34.3	36.5	+0.1	1.36
Nth American (z)	27.4	29.1	—	0.78
Int'l Growth	441.7	469.8	+1.4	1.44
Smlr & Recovery	47.0	49.8	-0.3	2.47

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-655 3724

Peg Equity Acc	322.2	342.9	-1.3	3.52
Peg Equity Inc	267.2	284.4	-1.2	3.52
Peg High Inc Acc	[illegible]	[illegible]	[illegible]	[illegible]

Vanguard Trust Managers Ltd — Contd.

American & Gen	54.1
(Accum Units)	55.6
Growth	217.3
(Accum Units)	327.8
High Yield	273.3
(Accum Units)	393.1
Special Sits	50.4
(Accum Units)	58.1
Trustee	159.9
(Accum Units)	259.7
European Inc	36.2
(Accum Units)	36.4

Wardley Unit Trust Managers Ltd

American	50.1
Int'l Growth	65.8
Income	112.6
Japan Growth	106.7
Pacific Perf	116.5
Small Co's	140.6
Technology	32.2
Australia	48.7
UK Trust	150.9
European Growth	41.2
Hong Kong	25.7
Int'l Income	20.3
S'pore & Mlysa Gth	18.2
British Winners	25.0

Waverley Asset Management
13 Charlotte Sq, Edinburgh

Australasian Gold	18.1
Pacific Basin	22.4
Can Balanced Gwth	46.1
Simple Mae	97.5
Penny Share	27.6

Wellington Fund Mngrs Ltd

Wellington Income	107.2
Wellington Growth	147.0

Wessex Asset Management

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	378.4	398.5	—	—
Eb'r Ph Eq.	330.4	351.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.7	175.4	-0.5	—
International Acc.	126.0	132.6	+0.1	—
Property Acc.	130.1	136.9	—	—
Fixed Interest Acc.	154.7	162.8	-0.7	—
Money Acc.	138.7	145.9	—	—
Bldg. Soc. Link Acc.	135.7	142.8	—	—
Special Mngd. Acc.Q	147.3	155.0	-0.3	—
Phoenix/Framlington				
Intl. Growth Acc.	86.2	90.7	+0.4	—
Amer & Gen Acc.	79.8	84.0	+0.4	—
Capital Tst Acc.	167.6	176.4	+0.6	—
Japan & Gen Acc.	188.3	198.2	-0.9	—
American Tsm. Acc.	84.0	88.4	+1.0	—
Recovery Tst Acc.	168.3	177.1	+1.1	—
Special Mngd Acc.	141.9	149.3	+0.5	—
Phoenix/GT				
International Acc.	122.4	128.8	-1.0	—
US & General Acc.	85.6	90.1	-1.2	—
Amer Spec Sits Acc.	64.8	68.2	-1.1	—
Japan & General Acc.	188.1	198.0	-1.0	—
Far East & Gen. Acc.	144.2	151.7	-0.3	—
UK Capital Acc.	171.0	180.0	+2.0	—
European Acc.	131.7	138.6	+1.4	—
Special Mngd Acc.	125.3	131.8	-1.1	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N Waterloo, Liverpool 051-928 6655

Managed Fund	262.6	276.5	—	—
Man Fels Inc & Cap Fd	334.5	352.2	—	—
Money Fund	112.2	118.2	—	—
Pens Mngd Fd (Init)	82.2	86.6	—	—
Pens Mngd Fd (Acc)	93.3	98.3	—	—
Pens FT30 Fd (Init)	126.2	132.9	—	—
Pens FT30 Fd (Acc)	143.2	150.8	—	—
Pens O'seas MgFd(Init)	57.0	60.0	—	—
Pens O'seas MgFd(Acc)	64.7	68.2	—	—
Pens Fxd Int Fd (Init)	106.1	111.7	—	—
Pens Fxd Int Fd (Acc)	120.4	126.8	—	—
Pens Deposit Fd (Init)	101.2	106.6	—	—
Pens Deposit Fd (Acc)	114.8	120.9	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	83.0	88.0	—	—
Building Soc. Fd	160.0	169.0	—	—
Balanced	234.0	247.0	—	—
Deposit	160.0	169.0	—	—
European	119.0	126.0	—	—
GT Managed	147.0	155.0	—	—
Gartmore Mngd	96.0	102.0	—	—
German	90.0	95.0	—	—
Gilt	166.0	175.0	—	—
High Inc	105.0	111.0	—	—
International Equity	148.0	156.0	—	—
Japan	210.0	222.0	—	—
Managed	52.0	55.0	—	—
Property	250.0	264.0	—	—
R. W. Imperial Gold	125.0	132.0	—	—
UK Equity	304.0	320.0	—	—
Pension Funds				
American	84.0	89.0	—	—
Building Soc. Fd	151.0	159.0	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	.....	9.74	8.10
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	.....	3.02	5.89
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.47	8.67
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.27	8.76
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.44	8.81
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.10	6.14
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.35	9.03
[illegible]	[illegible]	Exch. 10pc 1989	[illegible]	[illegible]	9.89	8.99
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.73	9.04
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.17	7.32
[illegible]	[illegible]	Exch 10½pcCv '89	[illegible]	[illegible]	9.98	8.32
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.24	8.96
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.07	9.06
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.81	9.08
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.22	6.65
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.32	8.69
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	[illegible]	8.02	8.08
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	9.81	9.11
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.76	6.47
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.09	9.17
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.09	7.88
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.36	6.94
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.70	8.85
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.43	9.13
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.28	9.10
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.49	9.20
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.74	9.15
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.30	9.10

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28¾	23	TRW Inc. 62½c	23½xd	+¼	$1.60	–	3.8
25¾	21¼	Tenneco $5	23⅞xd	+⅛	$3.04	–	7.1
26⅝	19⅝	Texaco $6.25	25⅞xd	–⅛	$3.00	–	6.4
52¾	43¼	Time Inc. $1	47¾	+¼	$1.00	–	1.2
20⅝	15¾	Transamerica $1	17¾	.....	$1.84	–	5.7
10¼	754p	Transworld Corp $5	953p	+12	20c	–	1.1
20¼	15	TRINOVA Corp	16½	–⅞	56c	–	1.9
19	15¼	USX $1	16	–½	$1.20	–	3.9
23	17¾	Utd. Technologies	21½	+¼	$1.60	–	4.1
31¼	26¼	US West	28½	+¼	$3.52	–	6.8
21¼	16¾	Waste Management $1	18⅞	.....	36c	–	1.0
16¾	12⅞	Whirpool $1	13¼	–⅛	–	–	–
30¼	18¾	Woolworth $3½	29¾	–⅛	$1.64	–	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

Australians

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	Cvr	Yld Gr's	P/E
59	36	Ovoca Gold IR 2p. γ	57	+1	—	—	—	—
50	33	Propeller 1p. γ	45	......	—	—	—	♦
31	13	Publishing Hldgs.5p. γ	17	+2	—	—	—	10.2
80	70	Seacon Hldgs. γ	70	......	—	—	—	♦
27	18	Stats Hldgs. 5p. γ	22	−1	—	—	—	56.3
4½	3	Swangard Studios 1p. γ	3½	+½	—	—	—	20.0
253	200	Takare γ	253	+3	b1.0	8.1	0.5	26.0
57	41	Theme Holdings γ	46	......	1.1	♦	3.2	♦
36	26	Tomorrows Leisure 20p. γ	26	......	—	—	—	10.4
25	15	Tullow Oil 10p. γ	19	......	—	—	—	—
135	120	UPL Group 10p. γ	122	......	L2.41	2.8	2.6	18.3
142	120	Unit Group γ	142	+2	94.6	2.5	4.3	10.2
95	85	Video Tape Recording 5p	93	−2	L2.3	2.3	3.3	13.3

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. R Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	70	......
Craig & Rose £1 γ	688	......
Finlay Pkg. 5p γ	79	......
Holt (Jos) 25p γ	£11¼	+⅛

IRISH

Fund 11¼% 1988	£100¼	......
Nat. 9¾% 84/89	£101	......
Fin. 13% 97/02	£118⅝	......
Arnotts γ	380	......
CPI Hldgs. γ	88	......
Carrol Inds. γ	152	+2
Hall (R. & H.)	117	......
Helton Hldgs. γ	40	......
Irish Ropes γ	123	......
Unidare γ	350	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met.	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen.	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	35
Morgan Grenfell	35
NEI	10
Nat West Bk.	60
P & O Dfd.	52
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property

Brit Land	28
Land Securities	48
MEPC	48
Peachey	40

Oils

Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24

Mines

Cons Gold	180
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

Heavy turnover in electronics and oil shares while Gilts ease in nervous trade

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 11	Apl 21	Apl 22	May 3
Apl 25	May 5	May 6	May 16
May 9	May 19	May 20	May 31

*New time dealings may take place from 9.00 am two business days earlier.

THE WAVE of takeover speculation touched off this week by European interest in UK food companies continued to wash through the London stock market yesterday. The substantial premium placed on Rowntree's brand names by Nestle has drawn attention to a host of other British groups with assets considered attractive to the big international companies.

Racal's plan to float off its Vodafone subsidiary was regarded in the City as a defensive move following recent aggressive buying of its shares, and fuelled rumours that Siemens is about to bid for the UK electronics company. The rest of the electronics sector was not slow to catch the speculative fever.

Strong rumours of an impending bid for London & Scottish Marine (LASMO), believed to be "in the frame" now that RTZ, a stakeholder, has signalled its exit from the energy business, set the North Sea oil sector alight.

However, outside these speculative areas, equities were, relatively inactive, as the market braced itself for the announcement at 11.30am today of the UK trade figures for March. Gilt-edged securities looked very nervous, as estimates for the March current account deficit were moved towards the higher range of City estimates – figures of around £400m were quoted by US houses, and a Japanese house suggested £900m earlier this week.

Signs that a UK bank was selling short dated Gilts in a hurry upset the bond market at mid-session, driving prices down by a full point. Prices steadied despite weakness in US bonds, and London's long dated Gilts closed a net ½ point down. Index-linked at first extended their gains by ⅛ or so, but lost heart and ended little changed on the day.

Equities were in lower ground for most of the session, although there was a brief upward flicker when ICI's quarterly statement arrived without the rights issue the market had been fearing. The profits were in line with market expectations, and ICI shares closed lower as attention moved elsewhere.

The FT-SE 100 Index ended 2.3 lower at 1804.3, having opening five points below the psychologically important 1800 mark with which it has been jousting for a fortnight. Turnover slowed down, and the Seaq volume figure of 390.7m shares included substantial contributions from Racal, Ferranti, Cable & Wireless and the host of other speculative issues.

There was some profit-taking in both Cadbury Schweppes and Rowntree as the market pondered the next moves in their respective situations, and wondered if either, or both might fall under scrutiny by the UK regulatory authorities.

Rowntree ended 16 off at 910p, with turnover of 11m shares raising suggestions of further buying by Jacobs Suchard which has already disclosed an increase in its stake to 16 per cent since Nestle made its £2.1bn bid for Rowntree.

At 349p, Cadbury-Schweppes was finally 13 down on turnover of 15m shares. "A fairly natural reaction after the rise of the past week", commented one of the leading traders in the sector.

Racal were easily the day's biggest trading stock and raced up to 322p before closing a net 72½ up at 319p after announcing the proposed sell-off of its telecommunications division which includes the Vodafone cellular radio business – regarded by analysts as the jewel in Racal's crown. Turnover in Racal spiralled upwards to reach 65m swamping the levels of recent days which have encouraged market speculation of stake-building and takeover bids in the offing as well as the Vodafone sell-off stories.

Estimates of what the company could accrue via the Vodafone sale varied enormously with figures of up to £3bn mentioned. Market talk late in the day suggested the Vodafone sale could well have been a defensive move against possible bids from Cable & Wireless or an overseas predator – there were whispers that West Germany's Siemens were preparing a 450p a share bid for Racal - and forced the latter into revealing the Vodafone sale.

Other leading electronics took their cue from Racal. Ferranti, involved in the cellular business with Racal, staged a strong rise to 86p before closing a net 5¼ higher at 85p with turnover expanding rapidly to 21m. British Telecom, owners of Cellnet, were curiously quiet as the Racal news became known but subsequently jumped to 253p prior to closing a net 3¼ up at 249¼p on turnover of 11m. Cable & Wireless, depressed recently by the Racal bid stories, picked up strongly to close 12 firmer at 344po on turnover approaching 6m.

GEC attracted turnover of 11m and settled unchanged at 153p, while Plessey, where 8.9m shares changed hands, rose 7 to 168p. STC were not left out of the fun and games in the sector and closed 13 to the good at 258p with recently dull turnover in the stock leaping ahead to over 7m.

The oil sector provided more than its fair share of takeover speculation with LASMO said to be the major target – rumours late yesterday suggested a 480p a share offer is imminent. LASMO shares surged ahead to close a net 26 higher at 410p, with Enterprise, one of the favourites to merge with the group, also firm and finally 7 up at 406p.

Turnover in LASMO was 3.9m and in Enterprise just short of a million. There was also a substantial business in British Gas, another rumoured candidate to launch an offer for LASMO where RTZ is said to be keen to unload its 29.9 per cent stake; Gas's turnover was 7.4m and Gas shares settled a fraction up at 174p.

Takeover speculation also surrounded Ultramar which jumped 19 to 304p with a substantial business carried out via the inter-broker dealer screens. Turnover in Ultramar topped 8m. Bid speculation here has been rife for many weeks but more recently has reflected stories that Sir Ron Brierley's near 13 per cent stake is up for grabs, to the highest bidder.

The leaders were left behind in the frantic run up by the bid favourites, but took heart from talk of a leading securities house uprating its profits forecasts for BP and Shell.

ICI, regarded as the market bellwether, announced first quarter results well in line with market expectations. However, despite a number of upgradings following the figures -Warburg Securities, the investment house, has increased its full year pre-tax profits forecast to £1.45bn - the ICI share price drifted back to close 16 lower at 977p in a volume of only 1.1m shares.

Tate & Lyle dipped 8 to 778p with the 9 per cent rise in first half profit meeting market expectations. The rest of the food share sector remained very active, although prices cooled off a little after the speculative excitement seen earlier in the week.

Apart from increasing business in Midland on the inter-broker dealer screens the big four banks were quietly traded ahead of Barclays going ex rights today. Royal Bank of Scotland rose 3 to 338p after announcing terms for the £235m acquisition of America's Citizens Financial; dealers and analysts gave the terms the thumbs-up.

The life assurance sector and composite insurances were alive with takeover rumours with European insurance groups led by Italy's Generali said to be stalking the UK sector after being rebuffed by France's Compagnie du Midi. In the lifes Abbey, finally up 8 at 279p and Pearl, 2 harder at 470p, were well supported, the latter despite rights issue rumours. In composites Royals featured with a 12 rise to 426p amid stories that the 6.7 per cent stake held by the John Spalvins-led Adsteam has changed hands. There was a good deal of scepticism over the strength of the story – dealers pointed to the relatively light turnover of 2.6m in Royals and mentioned recently buy circulars on the company from at least two top broking firms.

P & P, a distributor of micro computers, made a highly satisfactory debut. Placed at 175p, the shares traded up to 188p before turning away from the highest to settle at 182p. Ford Sellar Morris, following the acquisition of Centrovincial Estates, began life in the Unlisted Securities Market and after a fair trade closed at 111p.

The scramble for brand-name Brewery stocks subsided and the two main participants encountered a more evenly balanced trade. Both recorded reasonably active numbers in terms of turnover as well as retaining much of Wednesday's sharp rise. Allied-Lyons notched up turnover of 3.7m shares and closed slightly easier at 421p while Guinness, where volume totalled 3.7m shares, ended a touch firmer at 315p. Highland Distillers which produces Famous Grouse, a leading blended Scotch whisky, came under the scrutiny of buyers and rose 8 to 114p and Regional brewer Boddington improved 5 to 135p.

Trading statements provided the main source of interest in the Building sector. Bellway, which announced pre-tax profits for the year of £3.3m compared with £2.18m, pleased the market and moved ahead smartly to close 11 higher at 250p. M.J. Gleeson's annual results, however, failed to enthuse and the the shares settled 10 off at 480p.

Upmarket womens fashionwear group Windsmoor were outstanding in the stores sector, advancing 20 to 127p following the agreed £28.6m bid from William Baird.

Second-line electricals, although completely overshadowed by the developments in Racal, nevertheless included many features. Telemetrix shares were suspended at the company's own request just after 11 am having moved up to 33p; the company said it called for the suspension in view of the share price movement of the past two days – up 8p – and was involved in discussions with a third party exploring ways of strengthening its equity base.

Micro Focus settled 2 firmer at 170p after the return to profits. Molynx featured with an 18 spurt to 95p after revealing sharply increased profits. The more than doubled profits from Apricot Computer were offset by the agreed bid for Sigmex and the former closed 5 cheaper at 102p. Sigmex were the same amount off at 43p, having touched 48p and 41p.

SPP, up 32 at 155p, in response to news of the share exchange offer and cash alternative of 161p per share from Braithwaite, claimed most of the limelight in the Engineering sector. Braithwaite, which forecast pre-tax profits of £2.7m for the year and a net dividend of 4.5p, eased 5 to 250p.

Boots, regarded as a possible takeover candidate for some while, met with a revival of buying interest with the shares moving ahead in an expansion of business (some 4.2m shares) to close 7 higher on the day at 237p.

The majority of the international stocks traded on a subdued note, sentiment not being helped by early dullness on Wall Street yesterday. Glaxo settled 10 cheaper at 984p and BOC 5 lower at 374p. Among the stocks bought in the recent euphoria over companies with brand name products, Reckitt and Colman eased back 7 to 875p and Unilever gave up 13 to 455p.

Pilkington, down 4 at 216p, failed to benefit from the agreement to acquire ACI's 50.3 per cent holding in Pilkington ACI. The consideration for the deal will be £102.9m cash and PACI will become a wholly owned subsidiary of Pilkington.

Vastly improved half-yearly profits shot UK Land up 65 to a peak for the year of 653p while Burford hardened to 270p following the sale of a freehold retail investment to Sun Life of Canada for £3.27m. Connells Estate Agents rose 15 to 325p.

P & O placed 3m deferred shares with Australian institutional investors at 558p per share but the announcement provided little comfort for the shares. The increasingly bitter and spreading ferry dispute was a more important influence, bringing a close of 6 down at 584p. Elsewhere, Norex hardened to 14½p after the interim results while profit-taking lowered Horace Clarkson 10 to 175p.

Recent buyers of Courtaulds lost interest and the shares slipped lower to close 10½ down at 383½p. Citicorp Scrimgeour Vickers, the house which has several times vehemently denied stories that it has been accumulating a stake in the group, were on the offer for much of the session. Support of Dawson International also dried up and the shares reacted 6 to 269p but Atkins Bros. went further ahead to end 6 higher at 278p. Glen Abbey continued to respond to the news of its two latest shareholders, rising 15 more to 155p.

British & Commonwealth suffered as analysts adopted mixed views on the future following a meeting with the group after presentation of the annual results. Most agreed over the longer outlook but were uncertain as to near term performance.

A substantial increase in activity in traded options saw total business expand to 42,024 contracts made up of 33,502 calls and 8,522 puts. Racal continued to dominate business with 16,501 calls recorded and 1,458 puts after the company announced the proposed flotation of its telecommunications business, which includes Vodafone. The sharp rise in Racal's shares necessitated the introduction of a new series earlier in the day.

FINANCIAL TIMES STOCK INDICES

	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 22	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.70	90.03	89.99	89.89	90.26	91.69	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.92	97.05	96.78	97.30	97.75	96.86	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1444.7	1448.9	1431.3	1413.3	1411.6	1612.0	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	211.1	209.4	207.1	207.1	205.7	447.3	312.5 (7/1)	205.7 (22/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.52	4.50	4.55	4.61	4.62	3.62				
Earnings Yld. % (full)	11.70	11.63	11.79	11.96	11.96	8.33				
P/E Ratio (net)(*)	10.46	10.51	10.38	10.23	10.22	14.82				
SEAQ Bargains (5pm)	27,629	28,684	26,839	25,366	29,201	39,226				
Equity Turnover (£m)	-	1505.37	1062.99	808.57	1089.61	1443.35				
Equity Bargains	-	31,531	28,077	27,297	30,168	45,099				
Shares Traded (ml)	-	430.7	374.1	322.5	492.7	620.1				

S.E ACTIVITY

Indices	Apr.27	Apr.26
Gilt Edged Bargains	125.4	126.0
Equity Bargains	204.3	181.9
Equity Value	3042.3	2148.6
5-Day average		
Gilt Edged Bargains	134.5	139.1
Equity Bargains	184.8	174.4
Equity Value	2243.4	2072.6

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1441.3	1447.3	1445.5	1449.8	1449.9	1449.9	1442.5	1444.9

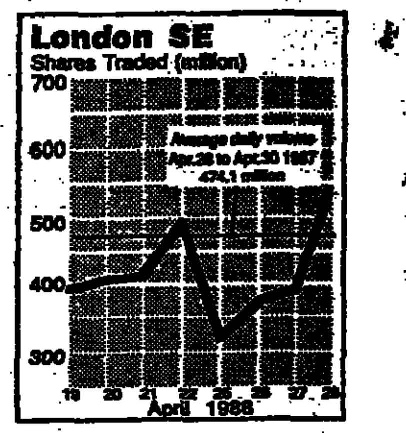
Day's High 1452.6   Day's low 1440.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. S E Activity 1974. * Nil=10.35.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

London SE

Shares Traded (million)



Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

Dealer reported a much quieter day in the Traditional option market. Stocks favoured for the call included Eagle Trust, Stakis, Coloroll, Helical Bar, Norfolk Capital, Bardsey, BOM Holdings, Charterhall, Huntingdon International and Taranac. Puts were arranged in British Petroleum new and Associated Energy, while double options were transacted in Adwest and Regentcrest.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (73).

AMERICANS (1) CANADIANS (1) BREWERS (3) BUILDINGS (3) CHEMICALS (1) STORES (5) ELECTRICALS (3) ENGINEERING (5) FOODS (3) HOTELS (1) INDUSTRIALS (14) LEISURE (2) MOTORS (2) PAPERS (1) PROPERTY (7) TEXTILES (3) TRUSTS (5) OILS (5) OVERSEAS TRADERS (1) PLANTATIONS (2) MINES (2) THIRD MARKET (1).

NEW LOWS (31).

AMERICANS (2) Gt. Am. First Savings, Pacific Gas & Elect., CANADIANS (2) Granges Expln., Gt. Pacific Res., BANKS (1) Bank of Scotland, BUILDINGS (1) Harrison Inds., STORES (2) Asprey, Blanchards, ELECTRICALS (1) Oxford Instruments, INDUSTRIALS (5) Bibby (J), Rolfe & Nolan, Shiloh, Tribble Harris, Whittington, INSURANCE (2) Allied Ins. Brokers, Refuge Grp., LEISURE (1) Virgin Grp., NEWSPAPERS (1) Maxwell Comms., PAPERS (2) Bunzl, Craton Lodge, SHOES (1) Pittard Garnar, TEXTILES (1) Cor-More, TRUSTS (3) River & Merc. Stpd. Pf., Scot Nat. Cap., Do. Wrnts., Brit. & Commonwealth 7¼pc Ln. 2000, Intl. City Hldgs., MINES (4) Leslie, Vlakfontein, Acorn Secs., New Sabina.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	46	5
Corporations, Dominion and Foreign Bonds	8	6	18
Industrials	295	445	810
Financial and Properties	118	150	380
Oils	34	16	58
Plantations	3	[illegible]	[illegible]
Mines	40	43	112
Others	70	85	90
Totals	580	836	1,501

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday April 28 1988: Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (Act at 25%), Est. P/E Ratio (Net), xd adj. 1988 to date; Wed Apr 27; Tue Apr 26; Mon Apr 25; Year ago (approx.)
1 CAPITAL GOODS (207)	[illegible]
2 Building Materials (29)	[illegible]
3 Contracting, Construction (34)	[illegible]
4 Electricals (12)	[illegible]
5 Electronics (32)	[illegible]
6 Mechanical Engineering (56)	[illegible]
8 Metals and Metal Forming (7)	[illegible]
9 Motors (13)	[illegible]
10 Other Industrial Materials (24)	[illegible]
21 CONSUMER GROUP (188)	[illegible]
22 Brewers and Distillers (21)	[illegible]
25 Food Manufacturing (23)	[illegible]
26 Food Retailing (16)	[illegible]
27 Health and Household (12)	[illegible]
29 Leisure (30)	[illegible]
31 Packaging & Paper (17)	[illegible]
32 Publishing & Printing (16)	[illegible]
34 Stores (35)	[illegible]
35 Textiles (18)	[illegible]
40 OTHER GROUPS (93)	[illegible]
41 Agencies (19)	[illegible]
42 Chemicals (20)	[illegible]
43 Conglomerates (14)	[illegible]
45 Shipping and Transport (12)	[illegible]
47 Telephone Networks (2)	[illegible]
48 Miscellaneous (26)	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]
51 Oil & Gas (12)	[illegible]
59 500 SHARE INDEX (500)	[illegible]
61 FINANCIAL GROUP (122)	[illegible]
62 Banks (8)	[illegible]
65 Insurance (Life) (8)	[illegible]
66 Insurance (Composite) (7)	[illegible]
67 Insurance (Brokers) (7)	[illegible]
68 Merchant Banks (11)	[illegible]
69 Property (51)	[illegible]
70 Other Financial (30)	[illegible]
71 Investment Trusts (82)	[illegible]
81 Mining Finance (2)	[illegible]
91 Overseas Traders (8)	[illegible]
99 ALL-SHARE INDEX (714)	[illegible]
FT-SE 100 SHARE INDEX §	1804.3, -2.3 ... [illegible]

FIXED INTEREST

	PRICE INDICES	Thu Apr 28	Day's change %	Wed Apr 27	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.05	-0.21	123.31	-	3.76
2	5-15 years	139.80	-0.49	140.49	-	4.46
3	Over 15 years	148.15	-0.45	148.82	-	5.65
4	Irredeemables	163.90	-0.44	164.62	-	6.08
5	All stocks	136.68	-0.40	137.22	-	4.41
	Index-Linked					
6	5 years	126.32	-0.02	126.34	-	0.51
7	Over 5 years	119.78	+0.02	119.76	-	1.18
8	All stocks	120.14	+0.01	120.12	-	1.12
9	Debentures & Loans	119.62	+0.07	119.54	-	4.87
10	Preference	91.23	+0.48	90.79	-	2.10

	AVERAGE GROSS REDEMPTION YIELDS		Thu Apr 28	Wed Apr 27	Year ago (approx.)
	British Government				
1	Low	5 years	8.85	8.78	8.55
2	Coupons	15 years	9.22	9.18	8.73
3		25 years	9.08	9.04	8.74
4	Medium	5 years	9.33	9.22	8.79
5	Coupons	15 years	9.44	9.37	8.93
6		25 years	9.25	9.22	8.94
7	High	5 years	9.42	9.30	8.94
8	Coupons	15 years	9.59	9.52	9.03
9		25 years	9.31	9.27	8.92
10	Irredeemables		9.08	9.00	8.65
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.36	2.35	2.78
12	Inflation rate 5%	Over 5 yrs.	3.75	3.75	3.57
13	Inflation rate 10%	5 yrs.	1.41	1.39	2.24
14	Inflation rate 10%	Over 5 yrs.	3.58	3.58	3.45
15	Debs &	5 years	10.67	10.71	9.83
16	Loans	15 years	10.52	10.53	10.04
17		25 years	10.52	10.53	10.09
18	Preference		9.85	9.90	10.38

§Opening index 1795.9; 10 am 1803.4; 11 am 1800.3; Noon 1806.0; 1 pm 1807.8; 2 pm 1809.4; 3 pm 1801.5; 3.30 pm 1802.0; 4 pm 1804.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*422)	390	43	53	63	13	20	25
	420	25	37	47	28	35	40
	460	10	22	30	55	60	65
Brit. Airways (*157)	140	21	25	28	4½	8	10
	160	8	13	18	15	17	22
	180	2½	7	10	30	32	33

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*408)	330	80	85	98	3	9	15
	360	50	65	80	6	18	27
	390	30	50	65	16	28	38
P. & O. (*583)	550	42	62	70	8	20	25
	600	9	32	45	28	42	60
	650	3	17	25	72	77	87

[illegible]

April 28 Total Contracts 42,024 Calls 33,502 Puts 8,522
FT-SE Index Calls [illegible] Puts [illegible]
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / JAPAN / FRANCE / GERMANY / GERMANY (continued) / ITALY / NETHERLANDS / NETHERLANDS (continued) / NORWAY / SPAIN / SWEDEN / SWEDEN (continued) / SWITZERLAND / SOUTH AFRICA / AUSTRALIA / AUSTRALIA (continued) / HONG KONG / SINGAPORE — April 28

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices April 28

[illegible]

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices April 28

[illegible]

Total Sales 6,688,062 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

[illegible]

INDICES

NEW YORK — DOW JONES

	Apr. 27	Apr. 26	Apr. 25	Apr. 22	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2047.91	2044.76	2036.14	2015.09	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.87	88.83	89.0	88.87	91.25 (3/3)	86.12 (4/1)	–	–
Transport	845.43	850.81	853.35	847.67	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	170.82	171.17	170.16	169.87	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2066.64 (2062.83) Low 2033.16 (2023.04)

STANDARD AND POOR'S	Apr. 27	Apr. 26	Apr. 25	Apr. 22	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	263.80	263.93	262.46	260.14	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	307.54	307.51	305.83	302.92	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.36	22.46	22.27	22.21	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	148.94	148.93	148.21	147.03	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	301.16	301.45	298.95	298.03	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp.	378.67	377.84	375.27	374.04	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Apr. 22	Apr. 8	Apr. 1	year ago (approx.)
Dow Industrial Div. Yield	3.47	3.35	3.35	2.99
	Apr. 20	**Apr. 13**	**Apr. 6**	**year ago (approx.)**
S & P Industrial div. yield	3.15	2.90	2.96	2.47
S & P P/E ratio	14.70	15.60	15.21	22.12

TRADING ACTIVITY † Volume (Millions)	Apr 27	Apr. 26	Apr 25
New York	134.683	152.300	157.708
Amex	16.488	9.830	8.230
OTC	122.366	125.731	105.112

NEW YORK	Apr. 27	Apr. 26	Apr. 25
Issues Traded	1,955	1,955	1,999
Rises	765	923	932
Falls	696	553	584
Unchanged	494	479	483
New Highs	21	26	17
New Lows	8	15	12

CANADA

TORONTO	Apr. 27	Apr 26	Apr. 25	Apr. 22	1988 High	1988 Low
Metals & Minerals	2822.6	2846.8	2826.3	2818.6	2877.5 (19/4)	2238.7 (8/2)
Composite	3345.8	3344.0	3336.1	3333.0	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1643.72	1645.27	1640.95	1634.11	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	2,390,200	23¾	+ ⅛	Exxon	1,595,400	44⅞	– ⅛
National Semiconductor	2,046,300	13½	+ ¾	Southern	1,541,700	22	– ⅛
Ford Motor	1,836,500	47⅞	+ ⅞	AT&T	1,459,100	26⅝	⅛
Pinnacle	1,769,100	25⅞	–	General Electric	1,431,100	40⅜	–
Chrysler	1,616,400	23⅝	⅛	BSC	1,328,000	42	+ 1⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Apr 28	Apr 27	Apr 26	Apr 25	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1449.9	1443.5	1440.2	(c)	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	697.9	691.8	692.7	(c)	773.6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	176.85	176.86	176.56	175.55	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4669.1	4663.4	4656.4	4667.5	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	196.14	195.97	(u)	200.07 (11/4)	180.68 (4/1)
FINLAND						
Unitas General (1975)	658.6	659.7	657.0	653.6	659.7 (27/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	312.0	307.9	308.0	312.0 (27/4)	251.3 (29/1)
Ind. Tendance (31/12/87)	114.2	112.3	111.5	109.2	114.2 (28/4)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	449.21	446.69	446.68	451.77	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1367.5	1362.5	1361.1	1376.9	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2588.14	2592.02	2585.97	2623.75	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	500.45	502.79	508.36	(c)	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27434.12	27191.97	27246.77	27213.45	27434.12 (28/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2189.42	2170.51	2176.38	2175.77	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	249.2	250.2	246.9	246.3	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	206.6	206.7	204.8	204.6	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	401.12	402.00	403.90	398.04	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	961.40	956.90	956.40	959.60	969.40 (21/3)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1221.0	1215.0	1191.0	1191.0	1790.0 (7/1)	1186.0 (22/4)
JSE Industrial (28/9/78)	1492.0	1489.0	1488.0	1496.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	270.91	271.68	272.32	273.50	281.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2770.8	2799.2	2767.5	2745.4	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	520.1	519.8	514.8	511.6	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	457.8	459.5	457.7	463.4 (13/4)	401.0 (21/1)

**Saturday April 23: Japan Nikkei 27,058.37. TSE 2166.99
‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES					
Abbey Life	279	+ 8	Royal Ins.	426	+ 12
Bellway	250	+ 11	SPP	155	+ 32
Boots	237	+ 7	STC	258	+ 13
Cable & Wireless	344	+ 12	Ultramar	304	+ 19
Caffyns	480	+ 17	UK Land	683	+ 65
Connells	325	+ 15	**FALLS**		
Ferranti	85	+ 5½	Brit. & Comm.	271	– 12
Glen Abbey	135	+ 15	Courtaulds	383½	– 10½
Hambros Adv. Tech.	168	+ 38	ICI	977	– 16
Highland Dist.	114	+ 8	Jaguar	277½	– 6½
LASMO	410	+ 26	P. & O. Defd.	584	– 6
Molynx	95	+ 18	Reuters B	475	– 9
Plessey	168	+ 7	Rothmans B	402	– 9
Racal Elec.	319	+ 72½	Unilever	455	– 13

TOKYO – Most Active Stocks
Thursday, April 28, 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	70.96m	864	+25	Mitsubishi Heavy Ind	13.68m	716	+4
Mitsui and Co	33.97m	950	+25	Kobe Steel	10.61m	330	+1
Mitsui O.S.K.	18.15m	407	+12	Sumitomo Metal	9.92m	380	+2
Nippon Yusen	17.52m	646	+11	Nippon Kokan	9.46m	387	+8
Nippon Steel	17.10m	465	+7	Sanraku	8.78m	1,490	+30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	20	169	24½	23¾	24½	+1
27	10½	AGS s			13	50	17½	16¾	16¾	−¼
7⅞	3¼	AMCA				377	3⅜	3¼	3¼	
8⅝	3¼	AM Intl				1727	3¾	3½	3¾	+⅛
65½	28¾	AMR			10	4667	42¾	42	42½	−⅜
12¼	6⅝	ARX			9	95	8⅝	8½	8⅝	+⅛
72⅞	40⅞	ASA	3	6.7		328	45½	44¾	45	−⅝
22⅝	9½	AVX			13	728	18¼	17¾	18¼	
66⅝	40	AbtLab 1.20		2.6	16	1970	46⅞	46½	46½	−⅝
28	15⅞	AbitiPbl g 1				21	18	17¾	17¾	−¼
16¾	8½	AcmeC .40		3.2		94	12⅝	12¼	12⅝	
10½	6⅝	AcmeE .32b		4.6	19	41	7⅛	6¾	7	+⅛
20	14⅞	AdaEx 3.05e		20.		63	15¾	15⅝	15⅝	
19¼	6⅞	AdamMl .24		1.3	15	177	18⅞	18¼	18⅝	+⅛
24⅞	7½	AMD				17879	14¾	14	14½	+¼
56¾	28¼	AMD pf	3	7.4		6	40½	40	40½	+½
11⅞	4⅝	Adobe			12	115	7⅞	7⅝	7⅝	
20¼	16¼	Adob pf 1.84		10.		14	18¼	18¼	18¼	+¼
21¾	17½	Adob pf 2.40		11.		2	21	21	21	
15	6⅛	Advest .12a		1.7	7	144	7⅛	7	7	−⅛
64¼	42⅝	AetnLf 2.76		6.4	6	1473	43⅝	42¾	43⅛	+⅜
83½	41	AflPub .40		.7	32	342	57⅜	56½	56⅝	−¾
23¾	13	Ahmans .88		6.1	7	4696	14½	14¼	14⅜	
4⅞	1¾	Aileen				266	3⅝	3⅜	3⅝	+⅛
53⅞	29	AirPrd 1		2.1	14	1345	47⅞	47½	47⅞	+⅛
36	11⅛	AirbFrt .60		3.4	24	63	17⅝	17½	17⅝	+⅛
16½	6¾	Airgas			16	153	12⅞	12½	12⅝	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
85	50	Xerox	3	5.6	10	878	54	53⅝	53¾	−⅜
50¾	48¾	Xerox pf	4.13	8.4		102	49¼	49	49¼	+⅛
35¾	19⅛	XTRA	.64	2.0	17	100	33⅜	32¾	32¾	−⅜
45¼	17½	Yorkin			14	525	u45⅞	44½	45⅛	+¾
7¼	2¼	Zapata				87	3¼	3⅛	3¼	
37	13½	Zayre	.40	1.7	11	5044	23⅝	22¼	23⅛	+⅜
16⅛	8¾	Zemex	.40	3.1	16	5	13	12⅞	12⅞	−¼
33⅝	10	ZenithE				3140	22	20⅝	21½	+⅛
10¾	10	Zenin n				596	10¼	10	10⅛	−⅜
11½	1¾	ZenLab				757	2⅜	2⅛	2¼	
24	13½	ZenNtl	.60	4.0	10	304	20⅜	20⅛	20⅛	−⅜
20⅜	11⅝	Zero	.36	2.6	14	116	14¼	14	14	−⅛
30¾	15	Zurnin s	.68	3.2	14	221	21⅜	21	21⅛	+⅛
10⅝	7⅝	Zweig	1.34e	13.		675	10⅛	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 45

AMERICA

Dow slips in thin trade as investors sit on the fence

Wall Street

STOCKS lost their upward momentum yesterday and were pushed down by a weak bond market and lower dollar in the second lowest trading volume of the year, *writes Deborah Hargreaves in New York.*

Stocks zigzagged up and down in sluggish trading while the market retained its inflation fears and was concerned about the huge trade bill passed by Congress late on Wednesday, which President Ronald Reagan has threatened to veto.

The market had fallen by 12 points on the opening and, after struggling back, saw its efforts eroded later in the day. The Dow Jones Industrial Average closed down 6.63 points at 2,041.28. Broader market indices reflected the same weakness with the Standard & Poors 500 closing at 262.55, a decline of 1.26 points and the New York Composite index off 0.68 at 148.26.

Trading was extremely slow, with just 128.7m shares changing hands. Declining issues led those advancing by four to three.

Investors were sitting on the fence and waiting for any news that might give a strong push to the market. However, there was little optimism on stocks as the market remained cautious about the future and fearful of another sharp drop in prices.

Inflation indicators had a mixed message for the stock market, which warily watched commodity prices. The price of gold drifted down by more than $1 to a spot price of $450.25. At the same time crude oil futures prices fell sharply in choppy trading on the New York Mercantile Exchange, with the June price down to $17.95 a barrel – a drop of more than 50 cents.

Oil stocks gave a mixed response to uncertainty about the oil price and continuing discussions between Opec and other oil producers. Exxon gained $¼ to $44, Mobil gave up $⅛ to $47⅞, Chevron was off $⅛ to $49 and Amoco declined $⅛ to $78⅛.

In the same way, gold mining stocks responded in a varied way to the weakness in gold prices. Newmont Mining was off $⅛ to $35⅛, Battle Mountain Gold dropped $⅛ to $15⅞ and Homestake Mining was unchanged at $14⅛.

Aside from takeover stocks and those with market rumours attached to them, trading was slow and lacked conviction. Lucky Stores was one issue to post a large gain on news that the company would be acquired in a leveraged buy-out for $61 a share. The stock rose by $5⅝ to $61⅛.

Irving Trust lost $2 to $60 ¾ after Italian bank, BCI, said it would not increase its offer for the company. The company's other suitor, Bank of New York, dropped $1⅛ to $30⅛.

Merck, the drug-making company, lost $⅛ to $158⅝ after it announced it would sell its stake in Japanese pharmaceuticals company Torii to Asahi Breweries. Henley dropped $¼ to $24⅞ after it launched an offer for Pneumo Abex, a division of IC Industries. IC Industries was unchanged at $35⅛.

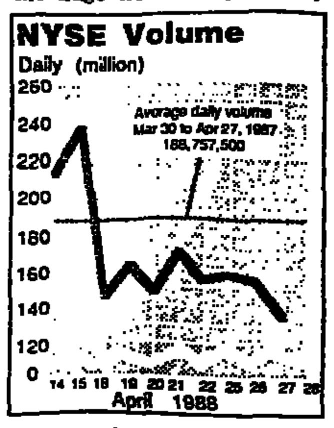
Among companies reporting quarterly results, publishing company Harcourt, Brace, Jovanovich dropped $⅛ to $8⅞ after announcing a first-quarter loss. Ford Motor increased $⅛ to $47⅞. Johnson & Johnson, health care company, declined $⅞ to $77⅞.

The credit market was weaker amid cautious trading with fears remaining about the outlook for inflation. These were not helped by the fall in unemployment insurance claims during the week of April 16, by 39,000 to 275,000, seasonally adjusted.

The dollar's drift down and some market uncertainty about the Federal Reserve's money supply policy pushed the benchmark Treasury long bond into a sharp drop of ⅜ to 97⅜ with a yield of 9.08 per cent.

The credit market is now casting a cautious eye towards the Treasury's next refunding auction on May 10.

NYSE Volume



Canada

SHARE prices closed lower in slow Toronto trading as interest rates rose.

The composite index fell 4.90 to 3,341.00 as declines outpaced advances by 405 to 339 on light turnover of 21.1m shares.

Chris Sherwell explains the market's reluctance to respond to good economic news

Dark fears keep Australian investors away

"I CAN convince clients about the strength of the Australian economy, the firmness of commodity prices, the good outlook for corporate profits and the underlying strength of the currency," a Melbourne broking analyst said yesterday.

"But," he lamented, "investors still feel very nervous about putting their money in equities. They're dead scared they'll wake up in the morning, turn on the radio and hear that Wall Street's plunged 200 points."

He was explaining why Australia's share markets have suffered five weeks of lacklustre, directionless trading after a welcome six weeks of sustained price rises in February and March.

The widely-watched All Ordinaries Index, which covers 325 stocks across all sectors, rose from a 1988 low of 1,171 on February 11 to 1,450 on March 25. But since then it has moved far more narrowly, coincidentally finishing yesterday at the same level – 1,450.

To the surprise of many, the index has come nowhere near testing the psychological 1,500 barrier. Worse, the increased volumes of February and March have fallen back again. "April's been a very tough month," a Sydney broker sighed yesterday.

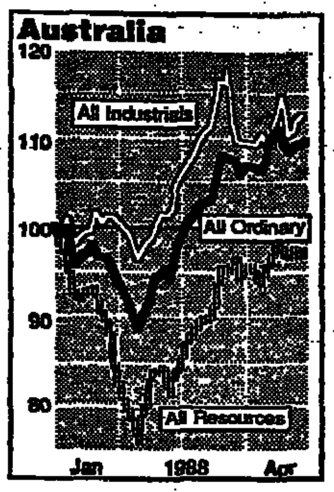
The overall impression is of a market which has come through the difficult period following last October's crash, but which still harbours deep-seated fears about the immediate future – specifically the threat of a "second wave".

Because Australia remains an externally-driven economy, the main concern is the path of US growth and the US dollar as Washington grapples with its twin-deficit problem. In the absence of firmer evidence, few local investors are ready to bet between a deflationary recession and inflationary growth. Even fewer are sure whether the US dollar has bottomed.

Domestically, the market is looking to the Labour Government's mini-budget, due on May 25, to give fresh direction. Broadly it wants a reaffirmation of the commitment to micro-economic reforms which will make business more efficient and competitive.

More specifically it will be looking carefully at promised corporate tax cuts. Here expectations cannot be too high, as the Government is likely to offset any cuts with the removal of depreciation allowances. At the pre-tax level, moreover, they will obviously make little difference. Meanwhile cash flows will be hurt.

As for the recent performance of the Australian market, broking analysts are in general agreement on certain features.



First, although commodity prices have been buoyant over recent months – some are higher than before the share market crash – this firmness has not been reflected in the prices of resource stocks.

To take two of the better recent performers among the mining companies, Western Mining, Australia's fourth largest company, was at A$5.44 yesterday, above its 12-month low of A$3.86 but still far short of its peak of A$9.82. CRA, Australia's sixth largest company, stood at A$7.08, again well above its A$4.10 low but a long way below its high of A$11.60.

It is therefore no surprise to find some brokers recommending that fund managers overweight their portfolios with resources stocks, despite the general fear of a commodity price reversal.

Secondly, there is agreement that Australia's industrial stocks are now fully-valued and perhaps even too expensive, particularly the blue chips. Some, indeed, have begun approaching their pre-crash levels.

The strongly performing sectors here have been in chemicals, transport, paper, retail, alcohol and banks.

Coles Myer, Australia's largest retailer and fifth largest company, was therefore trading this week at A$8.20, against a 12-month high of A$9.60.

Similarly Westpac, one of the big four trading banks, was priced at A$6.06, against a high of A$7.20. Even BTR Nylex, one of the darlings of the industrial scene which this week announced the third largest rights issue ever of A$757m, was at A$6.70, compared to a peak of A$9.51.

All three stocks have outperformed the All Industrials index since the crash, and this index has itself held up relative to the All Ordinaries in a way that resource stocks have simply failed to do.

Also reducing the overall performance of the market has been the dismal showing by second-line stocks, especially some of the entrepreneurs. Ariadne (once controlled by Mr Bruce Judge) has been languishing at 26 cents, for example, and Parry Corporation (once controlled by Mr Kevin Parry) at 30 cents.

ASIA

Robust NTT shares lead ascent to new high

Tokyo

BUYING interest gained strength as Japan's Golden Week of holidays approached, lifting the Nikkei stock average to yet another all-time high in Tokyo yesterday, with Nippon Telegraph and Telephone (NTT) setting the pace, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average surged 242.15 to 27,434.12 after moving between a day's high of 27,434.31 and a low of 27,206.51 on volume of 843m shares, up from the previous day's 784m. Advances swamped declines by 662 to 260, with 148 issues unchanged.

Favourable external factors lay behind the upsurge. Brokers cited weaker crude oil prices, due to the inconclusive talks between oil-producing nations, and the overnight gain on Wall Street as the main causes.

Another factor was the firm prospect that US President Reagan would veto trade legislation that included punitive measures against Japan's Toshiba Corp and its subsidiary, Toshiba Machine Co. The anti-Toshiba measure followed its sale of security-sensitive milling machines to the Soviet Union in violation of the Co-ordinating Committee export rules.

In addition, some institutional investors began to participate in the market on expectations of higher prices after the Golden Week break.

NTT climbed Y40,000 to Y2.49m on active buying, with 23,396 shares traded, up steeply from the previous day's 12,925. It momentarily hit Y2.51m, coming close to its second-issue selling price of Y2.55m.

The robust performance stemmed in part from expectations that the Government would shore up the price before the third sale of its NTT holdings, scheduled for the autumn.

Buying was also prompted by the dominant view among investors that NTT's share price had remained unreasonably low after hitting a Y3.08m peak. The value of NTT shares traded yesterday was the second highest of the day while Matsushita Electric Industrial, Fujitsu and NEC firmed Y30 each to Y2,790, Y1,550 and Y2,200 respectively.

The food sector performed strongly on a wide front due to active consumer spending. Sanraku added Y30 to Y1,490, Snow Brand Milk Products Y10 to Y1,460 and Morinaga Milk Industry Y37 to Y865.

SOUTH KOREAN shares rebounded from Wednesday's steep fall amid reports that the Government would boost the market by lowering the margin requirement, or down payment on stock purchases, from 100 per cent to 40 per cent. The composite index rose 14.51 to 633.34 and turnover picked up slightly.

Giant-capital issues closed moderately higher, with Nippon Steel rising Y7 to Y465, Mitsubishi Heavy Industries Y4 to Y716 and Nippon Kokan Y8 to Y387.

Among other gains, Mitsui and Co, second busiest with 33.97m shares traded, climbed Y25 to Y950, Mitsui O.S.K. Lines Y12 to Y407 and Nippon Yusen Y11 to Y646.

Elsewhere, Mitsubishi Steel Manufacturing improved Y26 to Y908, Smkyu Y37 to Y573 and Sekisui House Y40 to Y2,090.

The bond market ended easier in lacklustre trading as dealers and investors sought to square their positions before the holidays.

The yield on the benchmark 5.0 per cent government bond due in December 1997 moved within the narrow limits of 4.430 per cent and 4.455 per cent, closing at 4.445 per cent, up slightly from the previous day's 4.480 per cent finish.

at Y58.2m, after Toshiba Corp's Y61.3m.

Most high-technology stocks were popular, reflecting the fading concern about possible US action against Toshiba, which topped the active stock list with 70.96m shares changing hands. It climbed Y25 to a record Y864.

Ricoh gained Y40 to Y1,360,

Singapore

NEWS that Singapore's first quarter gross domestic product had risen 11 per cent left shares firmer in moderate trade.

Optimism was also boosted by a forecast of economic growth this year of 6 to 7 per cent, revised from 5 to 6 per cent, and a smaller than expected increase in the employers' contribution to the Central Provident Fund, the worker pension scheme, of 2 per cent.

The Straits Times industrial index rose 4.48 to 961.45 on turnover of 15.8m shares, up from 14.1m.

Malaysian Mining, the most active stock on a turnover of 1.2m shares, gained 6 cents to S$1.71. Sime Darby rose 8 cents to S$2.79 on 1.1m shares.

Hong Kong

AFTER a steady start, Hong Kong shares gave way to nervous and listless trading as investors awaited the publication of the first draft of the basic law, which will serve as the territory's constitution after 1997.

The Hang Seng index closed 3.89 lower at 2,588.14 and turnover edged up to HK$814m from Wednesday's HK$808m. The more broadly-based Hong Kong index was off 2.13 at 1,705.22.

Blue chips saw little activity, and interest focused on newly-listed C.P. Pokphand, the Thai-based chicken farmer and motorcycle manufacturer. Its shares rose to HK$1.60 before closing at HK$1.43 against an offer price of HK$1.00.

EUROPE

Paris manages lonely rise as lethargy engulfs bourses

LETHARGY gripped Europe yesterday and markets drifted downwards, finding little to guide them in Wall Street's limited overnight advance and a slightly weaker dollar. Only Paris found the energy to push forward.

PARIS received another boost from speculation about Cie du Midi, which closed FFr12 higher at FFr1,773 after reaching a year's high of FFr1,840. The Indicateur de Tendance moved up 1.90 to 114.20, but many shares, like Midi, ended off their highs.

Renewed talk of a full takeover bid by Generali of Italy helped boost Midi's price, and there were rumours that Lazard Frères, the investment bank, might have bought 10 per cent, although this was denied by sources close to the bank. Midi, planning a merger with insurer Axa, said trading had been suspended in two recent convertible bonds for reconsideration of the terms.

Market volume remained subdued in the run-up to last night's televised debate between rival presidential candidates Mr François Mitterrand and Mr Jacques Chirac.

Construction stocks strengthened on news of a substantial increase in housing starts in the first quarter. Bouygues jumped FFr45 to a close of FFr843 after reaching FFr858.

Imetal rose FFr2 to a year's high of FFr170.90 after moving into profit in 1987, while luxury goods group LVMH, which announced a 26 per cent profits rise, fell FFr17 to FFr1,850.

London

TAKEOVER talk again dominated London trading. The electronics sector buzzed with rumours following Racal's move to float off its Vodafone subsidiary.

North Sea oils were also active in the wake of BTZ's move out of the energy sector. The FT-SE 100 index, however, ended 2.3 lower at 1,804.3.

FRANKFURT floundered in thin trading. The FAZ index finished 2.52 higher at 449.21 but did not reflect later selling.

Daimler led falls, losing DM12.50 to DM609, amid concern about the effects on its profitability of its acquisitions of AEG, Dornier and MTU.

Chemicals fell back, but engineering stocks were boosted by news of a 14 per cent rise in orders in March on a year ago. Steelmaker Hoesch, which has won a $21m US order, added DM2 to DM123.50.

Bonds fell by about 50 pfg on heavy selling and a lack of buyers. The federal 6¼ per cent 1998 bond yielded 6.46 per cent after 6.37 per cent on Wednesday.

ZURICH slipped in uninspired trading and the Crédit Suisse index lost 2 points to 449.8.

Chocolate and coffee producer Jacobs Suchard bearer lost SFr100 to SFr8,300 on profit-taking. The company said it would continue to consider various options over its shareholding in Rowntree of the UK. Nestlé, which has bid for Rowntree, edged up SFr10 to SFr8,300.

Hoffmann-La Roche baby shares lost SFr50 to SFr10,350 after a 16 per cent rise in group profits in line with expectations.

MILAN investors hung back and shares drifted down in apathetic trading.

Olivetti declined L110 to L10,900 before reporting annual profits down to L402bn from L566bn in 1986 and proposing unchanged dividends.

Generali, which refused to comment on press reports it was seeking a blocking minority stake in France's Midi, rose L220 to L86,020, reaching L86,100 after the official close.

AMSTERDAM ended a dull session at its day's low after Dutch bond prices fell, the dollar weakened and Wall Street opened lower. The all-share index edged down 0.7 to 84.9.

Akzo was the only international stock to rise, gaining Fl 2 to Fl 113.20 after reporting better than anticipated first quarter profits up Fl 14m to Fl 194m.

Concern about crude oil prices upset Royal Dutch, which dropped Fl 1.50 to Fl 230.70 in spite of good first quarter results from its US unit, Shell Oil.

STOCKHOLM reacted nervously to the announcement by the central bank that it would raise the discount rate by 1 per cent to 8.5 per cent. Shares fell on a turnover of SKr230m – lower than that of the past few days.

SOUTH AFRICA

THE STRONG bullion price helped some gold stocks in Johannesburg to extend their rise yesterday, although trading remained thin.

Diamond stock De Beers, which has raised rough diamond prices by 13.5 per cent, moved up 75 cents to R31.

OK Bazaars was steady at R12. It reported annual pre-tax profit up from R29m to R40m.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 28 1988					WEDNESDAY APRIL 27 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	121 77	−2 3	96.31	106 71	4 08	119.05	94.03	106 30	122.31	91.16	127.76
Austria (16)	91 80	+0 5	72 61	79.53	2.63	91.36	72.16	79.62	98.18	84.35	91.77
Belgium (65)	126 12	+0 8	99 75	109 32	4 57	125 12	98.83	109.08	139.89	99.14	121 00
Canada (125)	123 53	−0 4	97.71	110.16	3 03	124.07	98.00	110.37	125.49	107.06	125.82
Denmark (39)	120 32	+0 5	95 16	105.18	2.74	119 72	94.56	105 02	123.36	111.42	114.50
Finland (25)	127 94	−0 5	101 19	107.09	1.96	127.31	100.56	106.98	127.94	106.78	–
France (121)	90 19	−0 6	71 34	80 18	3 93	89.69	70.85	79.99	90.19	72.77	119.87
West Germany (94)	77 23	−0 8	61.12	67 03	2.73	76.64	60.54	66.74	80 79	67.78	93.40
Hong Kong (46)	102 38	−0 1	80 97	102.73	4.43	102 50	80 96	102 87	105.83	84.90	105.14
Ireland (18)	122 72	+0 9	97 06	108 14	4 24	121.61	96.05	107.46	123.91	104 60	121.92
Italy (102)	75 73	−0 1	59 89	70 17	2.67	75 82	59.89	70.53	81 74	62.99	110.98
Japan (457)	174 80	+1 1	138 26	137.68	0.52	172.85	136.53	136.63	177.27	133.61	151.70
Malaysia (36)	130 59	+0 6	103.29	129.53	2.79	129 79	102.52	128.84	130 59	107.83	151.61
Mexico (14)	130 62	−0.7	103 31	325 60	1.09	131 49	103.86	327.78	176.90	90.07	175.88
Netherland (38)	109 69	−0 3	86 75	93 67	4.94	110.06	86.94	94.36	110.66	95.23	113.28
New Zealand (22)	77 19	+0 1	61 05	60 96	5 38	77.08	60 88	61.23	79.15	64.42	94.92
Norway (25)	132 23	+1.5	104.58	110.42	2 67	130 29	102.91	109.07	132.23	98.55	134.39
Singapore (26)	111 21	+1 1	87 96	102.58	2 43	110.01	86 89	101.60	114 93	97.99	125.50
South Africa (60)	127 05	+0 7	100 49	79 46	5.27	126.19	99 67	79.10	139.07	118.16	174 25
Spain (42)	151 32	+0 0	119 68	126.50	3.37	151.29	119.50	126.87	155 36	130.73	112 21
Sweden (38)	122 82	−0 4	97 14	106 55	2.65	123 28	97.38	107.27	124.75	96.92	122.58
Switzerland (56)	80 32	−0 1	63 53	68 94	2.47	80 39	63.50	69.15	86.75	76.22	97.24
United Kingdom (329)	140 16	−0 2	110 86	110.86	4.31	140 51	110 99	110 99	141.18	123.09	137.37
USA (583)	106 82	−0 5	84.48	106.82	3 60	107.31	84.76	107.31	110.51	99.19	118.31
Europe (1013)	109 73	+0 0	86 79	91 61	3.81	109.68	86.63	91 68	110.71	97 01	118.29
Pacific Basin (676)	169 86	+1 1	134 35	135.00	0.70	167 95	132.66	134.01	172.26	130.81	149.08
Euro-Pacific (1689)	145 82	+0 8	115 33	117 77	1.64	144 65	114 26	117.19	147.53	120.36	136.80
North America (708)	107 71	−0 5	85 19	107 04	3.56	108.21	85.47	107.51	111.28	99.78	118.71
Europe Ex. UK (684)	90 88	+0 3	71.88	79.51	3 34	90.58	71.55	79.54	92.81	80.27	106.47
Pacific Ex. Japan (219)	110 28	+1 3	87 23	100.68	4 16	108 91	86 03	100.48	111.82	87.51	117.17
World Ex. US (1888)	144 85	+0 8	114 57	117 22	1 72	143 75	113 55	116.67	146.49	120.26	136.83
World Ex. UK (2142)	129 21	+0 4	102.20	113.92	2.09	128 64	101.61	113.69	130.28	111.77	128.84
World Ex. So. Af. (2411)	130 19	+0 4	102.97	113 87	2.28	129 70	102 45	113.67	130.96	113 26	129.31
World Ex. Japan (2014)	108 75	+0 2	86 01	101.17	3 69	108.97	86.07	101.46	110.99	100.00	119.09
The World Index (2471)	130 17	+0 4	102.96	113 62	2.30	129.68	102.43	113.42	130.92	113.37	129 60

Base values: Dec 31, 1986 = 100. Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local)